

UPPER NEW YORK ANNUAL
CONFERENCE OF THE UNITED
METHODIST CHURCH

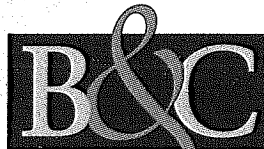
COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

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**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS * BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

**MANAGEMENT OF
UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

We have audited the accompanying combined statements of financial position of the **UPPER NEW YORK ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH** (a nonprofit organization) as of December 31, 2012 and 2011 and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Conference's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in Note 9 to the financial statements, the Upper York Annual Conference did not obtain a valuation of its postretirement health benefits for the year ending December 31, 2012 or 2011. By not obtaining a valuation for the 2012 and 2011 years, a liability cannot be computed, thus resulting in the inability to record such amount in the combined financial statements for the years ending December 31, 2012 and 2011. The effect on the 2012 and 2011 statements of activities has not been determined. In our opinion, a liability for post retirement health benefits and related disclosures are required by accounting principles generally accepted in the United States of America.

As more fully discussed in Note 2 to the financial statements, the Conference has elected effective July 1, 2010, to not depreciate its property and equipment. Recording depreciation of property and equipment is required to conform with accounting principles generally accepted in the United States of America. The effects on the statements of financial position of not recording depreciation on a straight line basis over the estimated useful life of property and equipment is approximately \$379,000 and \$368,000 for the years ended December 31, 2012 and 2011, respectively.

In our opinion, except for the effects of such adjustments and additional disclosures as might have been determined to be necessary if the scope of our audits had not been limited with regards to the matters discussed in the preceding paragraphs, the combined financial statements referred to in the first paragraph present fairly, in all material respects the financial position of the Upper New York Annual Conference of The United Methodist Church as of December 31, 2012 and 2011 and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information on page twenty-three and twenty-four is presented for the purpose of additional analysis and is not a required part of the basic 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 audits 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 adjustments described in the preceding paragraphs as might have been determined to be necessary if the scope of our audits had not been limited, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bowers & Company

Syracuse, New York
April 8, 2016

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

AUDITED FINANCIAL STATEMENTS

COMBINED STATEMENT OF FINANCIAL POSITION - 2012
December 31, 2012

	General Funds	Investment Funds	Trustee Funds	GBOPH Funds	3rd Party Funds	2012 Combined
ASSETS						
Cash and Cash Equivalents	\$ 8,053,135	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,053,135
Investments	200,211	16,928,000	0	21,764,775	0	38,892,986
Investments - Custodial Accounts	0	0	1,244,021	0	0	1,244,021
Notes Receivable - Churches and Seminary	0	0	392,736	0	0	392,736
Other Receivables	12,525	0	57,916	1,036,807	0	1,107,248
Prepaid Expenses and Other Assets	422,698	0	0	0	0	422,698
InterConference Funds	(2,419,931)	(14,927,768)	7,407,944	9,760,317	179,438	0
Property and Equipment - Net	7,633,544	0	1,577,570	0	0	9,211,114
TOTAL ASSETS	<u>\$ 13,902,182</u>	<u>\$ 2,000,232</u>	<u>\$ 10,680,187</u>	<u>\$ 32,561,899</u>	<u>\$ 179,438</u>	<u>\$ 59,323,938</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 1,696,344	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,696,344
Notes Payable	154,776	0	0	0	0	154,776
TOTAL LIABILITIES	<u>1,851,120</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,851,120</u>
NET ASSETS						
Unrestricted	262,831	2,000,232	(255,638)	1,169,084	0	3,176,509
Unrestricted - Designated	2,978,327	0	8,144,904	30,325,694	179,438	41,628,363
Temporarily Restricted	8,533,460	0	2,714,303	62,597	0	11,310,360
Permanently Restricted	276,444	0	76,618	1,004,524	0	1,357,586
TOTAL NET ASSETS	<u>12,051,062</u>	<u>2,000,232</u>	<u>10,680,187</u>	<u>32,561,899</u>	<u>179,438</u>	<u>57,472,818</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,902,182</u>	<u>\$ 2,000,232</u>	<u>\$ 10,680,187</u>	<u>\$ 32,561,899</u>	<u>\$ 179,438</u>	<u>\$ 59,323,938</u>

See notes to combined financial statements.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

COMBINED STATEMENT OF ACTIVITIES - 2012

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012
REVENUES AND SUPPORT				
Ministry Shares	\$ 8,347,487	\$ 0	\$ 0	\$ 8,347,487
Donations, Grants & Reimbursements	1,826,937	25,969	0	1,852,906
Direct Billed Benefits & Master Insurance Plan	11,665,733	0	0	11,665,733
Event Registration & Income	368,213	4,790	0	373,003
Camp & Retreat Revenue & Sales	2,106,577	0	0	2,106,577
Property Sales & Insurance Proceeds	1,253,613	0	0	1,253,613
Investment Income & Other	5,173,851	(569,927)	0	4,603,924
Interfund Transfers	0	0	0	0
Total Revenues and Support	<u>30,742,411</u>	<u>(539,168)</u>	<u>0</u>	<u>30,203,243</u>
EXPENSES				
General Church Ministry Support	1,505,668	0	0	1,505,668
Compensation- Salaries, Wages & Housing Allowances	3,958,726	0	0	3,958,726
Fringe Benefits- Health Insurance, Pension & Workers' Comp	12,856,028	0	0	12,856,028
Employment Costs- Training, Recruitment & Moving Expenses	152,369	0	0	152,369
Program, Grants & Discretionary Expenditures	2,838,732	118,999	0	2,957,731
Travel, Mileage & Hospitality	464,669	0	0	464,669
Professional Services	433,750	0	0	433,750
Supplies- Food, Program & Maintenance Costs	861,617	0	0	861,617
Fees & Services	294,703	0	0	294,703
Facilities & Equipment- Maintenance Costs	610,183	0	0	610,183
Master Insurance Plan Cost	3,079,478	0	0	3,079,478
Rent & Property Tax Expenses	333,406	0	0	333,406
Utilities & Communications	454,523	0	0	454,523
Total Expenses	<u>27,843,852</u>	<u>118,999</u>	<u>0</u>	<u>27,962,851</u>
Change in Net Assets - Increase (Decrease)	2,898,559	(658,167)	0	2,240,392
Net Assets, Beginning of Year	<u>41,906,313</u>	<u>11,968,527</u>	<u>1,357,586</u>	<u>55,232,426</u>
Net Assets, End of Year	<u>\$ 44,804,872</u>	<u>\$ 11,310,360</u>	<u>\$ 1,357,586</u>	<u>\$ 57,472,818</u>

See notes to combined financial statements.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

COMBINED STATEMENT OF ACTIVITIES - 2011

Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011
REVENUES AND SUPPORT				
Ministry Shares	\$ 8,197,737	\$ 0	\$ 0	\$ 8,197,737
Donations, Grants & Reimbursements	1,351,089	426,196	9,574	1,786,859
Direct Billed Benefits & Master Insurance Plan	12,814,388	0	0	12,814,388
Event Registration & Income	600,748	11,804	0	612,552
Camp & Retreat Revenue & Sales	2,101,917	0	0	2,101,917
Property Sales & Insurance Proceeds	679,907	0	0	679,907
Investment Income & Other	(136)	(6,416)	(85,156)	(91,708)
Interfund Transfers	(200,716)	209,326	(8,610)	0
Total Revenues and Support	<u>25,544,934</u>	<u>640,910</u>	<u>(84,192)</u>	<u>26,101,652</u>
EXPENSES				
General Church Ministry Support	1,538,772	0	0	1,538,772
Compensation- Salaries, Wages & Housing Allowances	3,732,278	0	0	3,732,278
Fringe Benefits- Health Insurance, Pension & Workers' Comp	15,130,026	0	0	15,130,026
Employment Costs- Training, Recruitment & Moving Expenses	213,804	0	0	213,804
Program, Grants & Discretionary Expenditures	2,420,283	103,130	0	2,523,413
Travel, Mileage & Hospitality	938,382	0	0	938,382
Professional Services	425,608	0	0	425,608
Supplies- Food, Program & Maintenance Costs	807,771	0	0	807,771
Fees & Services	269,933	0	0	269,933
Facilities & Equipment- Maintenance Costs	428,536	0	0	428,536
Master Insurance Plan Cost	2,833,900	0	0	2,833,900
Rent & Property Tax Expenses	211,415	0	0	211,415
Utilities & Communications	500,760	0	0	500,760
Total Expenses	<u>29,451,468</u>	<u>103,130</u>	<u>0</u>	<u>29,554,598</u>
Change in Net Assets - Increase (Decrease)	(3,906,534)	537,780	(84,192)	(3,452,946)
Net Assets, Beginning of Year	<u>45,812,847</u>	<u>11,430,747</u>	<u>1,441,778</u>	<u>58,685,372</u>
Net Assets, End of Year	<u>\$ 41,906,313</u>	<u>\$ 11,968,527</u>	<u>\$ 1,357,586</u>	<u>\$ 55,232,426</u>

See notes to combined financial statements.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

COMBINED STATEMENT OF CASH FLOWS - 2012

Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 2,240,392
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
(Gain) Loss on Sale of Property	82,292
Service in Lieu of Payments	(9,189)
Net Change in Operating Assets and Liabilities	
Church Loan Receivables	154,859
Other Receivables	895,185
Prepaid Expenses and Other Assets	(365,865)
Accounts Payable and Accrued Expenses	1,421,948
Due to New England Conference	(967,722)
Net Cash Provided By Operating Activities	<u>3,451,900</u>

CASH FLOWS FROM INVESTING ACTIVITIES

(Increase) Decrease in Investments - Net	(2,044,146)
(Increase) Decrease in Custodial Funds - Net	(40,961)
Proceeds From Sale of Properties	583,330
Net Cash Provided By Investing Activities	<u>(1,501,777)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Long Term Debt	<u>(143,914)</u>
Net Cash Used In Financing Activities	<u>(143,914)</u>
Net Increase in Cash and Cash Equivalents	1,806,209
Cash and Cash Equivalents, Beginning of Year	<u>6,246,926</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 8,053,135</u></u>

See notes to combined financial statements.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

COMBINED STATEMENT OF CASH FLOWS - 2011

Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (3,452,946)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Increase in Church Loan Reserve	22,500
Service in Lieu of Payments	(9,588)
Net Change in Operating Assets and Liabilities	
Church Loan Receivables	152,015
Other Receivables	(1,787,735)
Prepaid Expenses and Other Assets	115,042
Accounts Payable and Accrued Expenses	174,218
Due to New England Conference	14,098
Net Cash Provided By Operating Activities	<u>(4,772,396)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

(Increase) Decrease in Investments - Net	6,729,633
(Increase) Decrease in Custodial Funds - Net	29,474
Purchase of Properties and Equipment	<u>(290,806)</u>
Net Cash Provided By Investing Activities	<u>6,468,301</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Long Term Debt	<u>(149,014)</u>
Net Cash Used In Financing Activities	<u>(149,014)</u>
Net Increase in Cash and Cash Equivalents	1,546,891
Cash and Cash Equivalents, Beginning of Year	<u>4,700,035</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,246,926</u></u>

See notes to combined financial statements.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 1 – NATURE OF OPERATIONS

Pursuant to the direction of the Northeastern Jurisdictional Conference, the North Central New York, Western New York, Troy and Wyoming Annual Conferences unified and realigned their geographical boundaries to create a single Annual Conference and Episcopal Area across Upstate New York as of July 1, 2010. This Plan of Union was presented by the Joint New Area/Conference Team ("New ACT") and developed through the efforts of New ACT, the Joint Distribution Committee (established pursuant to the 2008 Book of Discipline, para. 1509), the Assets Allocation Task Force and numerous other individuals, teams and committees.

In this process, the North Central New York, Western New York and Troy Annual Conferences were consolidated into one Successor Corporation, and the Wyoming Conference transferred all of its assets and was discontinued. All of the assets of the North Central New York and Western New York Conferences were transferred to the Upper New York Annual Conference. The assets of the Troy Conference were equitably allocated, based upon a ministry share formula, between the Upper New York and New England Conferences. The assets of the Wyoming Conference were similarly allocated between the Upper New York and Central Pennsylvania Conferences.

The purpose of the Upper New York Annual Conference of the United Methodist Church ("the Conference") ("UNYAC") is to help make disciples of Jesus Christ for the transformation of the world. The Conference fulfills that mission by facilitating and resourcing the local churches in the Conference to invite, i.e. opening our doors to welcome new faces and doing new things to share the Good News, to nurture and care for our people so they may care for others, to equip the clergy and laity to learn so they can be enabled to lead; and to deploy, taking the love of Christ into our communities and the world. The Conference also serves as the administrative agency for the United Methodist Churches in the Upstate New York region, facilitating the establishment of local churches which become part of the Conference, providing leadership to the local churches, and by enabling of ministry through the extended connection of The United Methodist Church.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combined financial statements of the UNYAC include the accounts of CCFA, the Board of Trustees, the Camping and Retreat Ministry and the Episcopal Office all of which are under common management.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting which recognizes income when earned and expenses when incurred.

Income Tax Status

The Conference is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and the Internal Revenue Service Group Exemption ruling for the United Methodist Church and, therefore, has made no provision for federal or state income or franchise taxes.

Fund Accounting

To insure observance of limitations and restrictions placed on the use of resources available to the Conference, the accounts of the Conference are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose.

The financial statements present expenses in accordance with the overall service mission of the Conference displayed within their natural classifications.

Cash and Cash Equivalents

The Conference considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk for Cash Held at Brokerage Firms

The Conference maintains cash balances at various institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation up to limits as set by law for cash, and are insured by the Securities Investor Protection Corporation up to \$500,000 for securities. In addition, the broker-dealer provides private insurance for amounts in excess of SPIC limits up to the full “net equity value” of the various accounts.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Receivables

Other receivables represent amounts collected in 2013 for 2012 and 2012 for 2011 for balances outstanding from member churches for direct billings for insurance and pension benefits. In addition, other receivables include an amount for health insurance rebates received in subsequent years. Amounts included at December 31, 2012 and 2011 were \$852,902 and \$1,762,840, respectively.

Investments Valuation

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of assets, liabilities and net assets.

Investment Income Recognition

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

Fixed Assets

The Conference own certain fixed assets which are not included in the statement of financial position due to inadequate cost records of the prior conferences. It is the current practice of the Conference to capitalize major renewals and betterments and to expense maintenance and repairs. Fixed assets capitalized by the Conference are recorded at their cost. Fixed asset (real estate, office equipment, etc.) acquisitions were recorded differently within the four conferences that were united. Some conferences treated the items as non-capitalized disbursements. The detail as it appears in Note 5, are the assets that have been capitalized previous to July 1, 2010, with additions and disposals since unifying.

Beginning July 1, 2010, the Conference has elected not to depreciate its real property as required by generally accepted accounting principles. The effects of said departure are such that approximately \$368,000 and \$379,000 of depreciation expense and a corresponding reduction in net asset value of \$904,000 and \$536,000 has not been recorded at December 31, 2012 and 2011.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Assets

The Conference presents its net assets in five categories, which are described as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed restrictions.

Designated Unrestricted Net Assets: Net assets that are internally designated for a specific purpose or activity by the Conference.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Conference and/or the passage of time. Also includes camps, retreat centers, conference centers and parsonages

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that may be maintained permanently by the Conference. Generally, the donors of these assets permit the Conference to use all or part of the income earned on related investments for program operations

In-Kind Support

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

Subsequent Events

The Company has evaluated events and transactions that occurred between December 31, 2012 and April 8, 2016, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Statements of Cash Flows

Supplemental disclosures of cash flow information are as follows:

	2012	2011
Cash Paid During the Year For:		
Interest	<u>\$ 8,783</u>	<u>\$ 14,673</u>

Transfers

"Transfers," as reported in Statements and Schedules, are transfers between accounts on the books of the Conference, and include reimbursements for services and/or supplies.

NOTE 3 - INTERCONFERENCE DUE TO (FROM) OTHER FUNDS

According to the principles adopted in Fund Accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. During the course of a year, funds are sometimes paid from bank or investment accounts from one fund on behalf of another fund as well as revenues that are deposited into some bank or investment accounts of a fund that are truly the resources of another. At the time these funds are paid or deposited, inter-fund accounting is employed, whereby a liability is recorded as "Due to" another fund and also as an asset of "Due from" the respective fund. The summary all of these inter-fund transactions are reflected within this account and are netted against each other. The net total of these fund balances is zero.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 4 – FAIR VALUE

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Conference have the ability to access.
- Level 2 are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Conference's own data.)

Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. There were no transfers between the levels during the year.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 4 – FAIR VALUE - Continued

The following table sets forth by level, within the fair value hierarchy, the Conference's investments that are measured at fair value on a recurring basis as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 1,315,001	\$	\$	\$ 1,315,001
Certificates of Deposit	438,695			438,695
Mutual Funds	1,929,274			1,929,274
Stocks	5,154,872			5,154,872
Bonds	1,653,948			1,653,948
Fixed Rate Securities	505,891			505,891
Pooled Investment Funds		29,139,326		29,139,326
Total Assets at Fair Value	\$ 10,997,681	\$ 29,139,326	\$ 0	\$ 40,137,007

The following table sets forth by level, within the fair value hierarchy, the Conference's investments that are measured at fair value on a recurring basis as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 913,082	\$	\$	\$ 913,082
Certificates of Deposit	434,167			434,167
Mutual Funds	1,261,323			1,261,323
Stocks	4,338,357			4,338,357
Bonds	2,272,549			2,272,549
Fixed Rate Securities	501,376	0		501,376
Pooled Investment Funds		28,331,046		28,331,046
Total Assets at Fair Value	\$ 9,720,854	\$ 28,331,046	\$ 0	\$ 38,051,900

Investment return including interest, dividend, net realized and unrealized gains and losses for the years ended December 31, 2012 and 2011 was approximately \$4,453,000 and \$(83,565), respectively. At December 31, 2012 and 2011, allocations of investment earnings to the various net asset categories has not been calculated and posted accordingly.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 5 - PROPERTY AND EQUIPMENT

The following are carried as Fixed Assets in the statement of financial position of the Conference at December 31, 2012 and 2011, using the various methods for the four conferences as united in July 2010.

	2012	2011
Camps	\$ 9,965,084	\$ 9,965,084
Parsonages and Residence	972,452	972,452
Office Equipment	123,461	123,461
Conference Centers	976,217	1,641,839
	<hr/>	<hr/>
	12,037,214	12,702,836
Less: Accumulated Depreciation (Through 6/30/10)	(2,826,100)	(2,826,100)
	<hr/>	<hr/>
Total	\$ 9,211,114	\$ 9,876,736

NOTE 6 – CHURCH AND SEMINARY LOANS RECEIVABLE

The Conference maintains a Church Loan Fund for the purpose of extending grants and low interest loans. The loans have various periodic payment terms and are charged interest ranging from 3 to 5%. At December 31, 2012 and 2011 the total church loan balances outstanding was \$265,056 and \$384,714, respectively. The Conference has recorded a reserve of \$22,500 for potential uncollectible church loans at December 31, 2012 and 2011.

Bulson student loans are repayable in equal monthly installments, beginning nine months after a student leaves school, for a period of up to five years. Interest only is charged at the rate of 3% during the grace period, with an interest rate of 6% during the repayment period. At December 31, 2012 and 2011 the total Bulson student loan balances outstanding was \$137,017 and \$153,840, respectively.

Seminary loans are utilized by students pursuing master's degrees in Divinity Studies. The loans are repaid by the student after graduating or serving a period of 5 years with the church. For each year of service to the Church, 20% is deemed paid off. An amount of \$9,189 and \$9,589 was charged to the statement of activities for the years ended December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, the total Seminary loan balances outstanding was \$13,163 and \$22,352, respectively.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 7 - TRUSTEES' FUNDS - CUSTODIAN ACCOUNTS

The balances in the custodian accounts represent principal amounts of the Stecher Fund and the Elmer White Trust that were received by the trustees of the Conference with the stipulation by the donors that said principal amounts are to be held in perpetuity, and invested to produce income for designated beneficiaries.

	2012	2011
Balances at Beginning of Year	\$ 1,203,060	\$ 1,232,534
Investment Income - Net	89,750	16,253
Paid to Designated Beneficiaries	<u>(48,789)</u>	<u>(45,727)</u>
Balances at December 31	<u>\$ 1,244,021</u>	<u>\$ 1,203,060</u>

NOTE 8 - NET ASSETS

Net assets are designated by the Conference for the purposes as outlined, by fund, in the Statements of Financial Position. The detailed designations of Unrestricted, Temporarily Restricted and Permanently Restricted are outlined in the Summary of Accounting Policies above. The following is a summary of the funds designations being used by the Conference:

General Funds – Includes Conference, Camps & Retreat, Ministerial, Episcopal, General Business Administration and all Conference teams, resources activities, including camps and retreat properties.

Investment Funds – Includes the interest, dividend, gains and losses activity of all conference investments held in institutional investment funds, with the exception of the assets held by the General Board of Pensions & Health.

Trustee Funds – the activities of all revenue and expenses related to Trustee-held property as outlined in the Book of Discipline. This property includes, among other things, closed church properties, district parsonages and conference center property.

General Board of Pensions & Health (GBOPH) Funds – includes activities as under the charge of the Conference Board of Pensions and Health. These include all revenues and expenses related to Conference clergy and employee health care, pension and other employee benefits.

**UPPER NEW YORK ANNUAL CONFERENCE
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NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 8 – NET ASSETS - Continued

Property Funds – includes the activities of all purchases and sales of Conference held Property & Equipment. These funds were reclassified in the opening balances of 2011 net assets in the statement of activities split between general funds (\$2,174,393) and trustee funds (\$1,073,687).

3rd Party Funds – activities related to funds held by third parties which include Course of Study, RISE, Haiti and Peace with Justice and BOOM.

NOTE 9 - RETIREMENT/WELFARE PLANS

The UNYAC participates in a multiemployer defined benefit pension plan administered by the General Board that covers substantially all UMC clergy. The UNYAC participates in various plans under these multiemployer plans which are 1) Supplement One to the Clergy Retirement Security Program ("Pre-1982 Plan"), 2) the defined benefit portion of Supplement Three to the Clergy Retirement Security Program otherwise known as the Ministerial Pension Plan ("MPP Annuities"), and 3) Core Defined Benefit Part of the Clergy Retirement Security Program ("CRSP-DB"). 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. Past Service Defined benefit funding is an annual actuarially determined amount approved by the Annual Conference, as determined by the General Board of Pensions and Health Benefits. The GBOPHB uses the RP2000 Individual Annuity Mortality Table in the determination of these amounts. The UNYAC adopted the following benefit levels for 2012:

Past Service Rate	<u>\$ 564</u>
Contingent Annuitant Percentage	<u>\$ 75%</u>

As of January 1, 2013, the valuation date, the Pre-1982 Plan had a funded status of 101%. Expense for the years ended December 31, 2012 and 2011 amounted to \$254,034 and \$1,222,535, respectively.

**UPPER NEW YORK ANNUAL CONFERENCE
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NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 9 – RETIREMENT/WELFARE PLANS - Continued

MPP Annuities

The Ministerial Pension Plan (MPP) provided benefits for United States of America clergy from January 1, 1982 through December 31, 2006. It is primarily a defined contribution retirement plan with the requirement that clergy must convert 65% of his or her total account balance to an annuity. This plan ended effective December 31, 2006. Expense for the years ended December 31, 2012 and 2011 amounted to \$0 and \$985,564.

CRSP

The CRSP plan covers service on or after January 1, 2007. The plan has both defined benefit and defined contribution components. The Conference contributed an amount per month per Full time Equivalent towards the defined benefit portion of the plan for clergy. Contributions for each participant are fully vested. As of January 1, 2013, the valuation date, the CRSP-Defined Benefit plan had a funded status of 95%. Expense for the years ended December 31, 2012 and 2011 amounted to \$3,215,399 and \$3,196,215, respectively.

In addition, there is a non-matching contribution to the CRSP-Defined Contribution portion of the plan. The Conference contributes 3% of the compensation for eligible clergy. CPP contributions for eligible full time ministers are the equivalent of 3% of the minister's plan compensation and is limited by 200% of the current denomination average compensation. (See CPP below). Expense for the years ended December 31, 2012 and 2011 for CRSP-DC and CPP for clergy amounted to \$695,358 and \$ 686,369, 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 9% of salary contribution by the UNYAC. Expense for the years ended December 31, 2012 and 2011 amounted to \$135,388 and \$99,728, respectively.

**UPPER NEW YORK ANNUAL CONFERENCE
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NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 9 – RETIREMENT/WELFARE PLANS - Continued

CPP

The Upper New York Annual Conference of the United Methodist church participates in a defined benefit multi-employer welfare plan administered by the General Board of Pensions of the United Methodist Church (Clergy Protection Plan) (CPP). The plan provides life insurance benefits to qualifying and retiring members in addition to providing long-term disability income benefits to qualified active clergy and guaranteed minimum benefits for widows and dependent children of deceased members.

CPP contributions for eligible full time ministers are the equivalent of 3% of the minister's plan compensation limited by 200% of the current denomination average compensation. The combined expense for the years ended December 31, 2012 and 2011 for clergy CRSP & CPP programs amounted to \$695,358 and \$ 686,369, respectively..

Post Retirement Health Plan

The Conference sponsors a postretirement health care plan for all Conference employees and participating clergy that meet eligibility requirements. The plan is contributory, with retiree contributions that are adjustable based on various factors, some of which are discretionary.

The summary of the plan provisions and contribution requirements for the plan include:

The Conference obligation is based on years of service: 3% of actual premium per full-time equivalent year of service up to maximum of 30 years (90%) with 5 year vesting. Surviving spouses pay at same percentage as the retiree and lay retirees receive benefits on the same basis as clergy. The period of coverage for both Retirees and spouses is Lifetime.

On December 31, 2014, the UNYAC terminated the retiree group medical insurance.

Effective January 1, 2015, the UNYAC partnered with Towers Watson One Exchange to provide a choice of Medicare Supplement and Medicare Advantage health insurance plans for the UNYAC'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. The UNYAC will fund the HRA within the plan chosen by the retiree with a fixed amount with which the retiree may choose to pay health care premiums and other health-related expenses. The fixed maximum contribution per participant for 2015 will be \$3,000, based on years of service.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 9 – RETIREMENT/WELFARE PLANS - Continued

Post Retirement Health Plan - Continued

Generally accepted accounting principles require that the accumulated postretirement benefit obligation be recorded in the combined financial statements at the present value of the anticipated actuarial cost of health benefits for retirees.

UNYAC did not obtain an updated valuation of its postretirement health benefits for the years ending December 31, 2012 and 2011. By not obtaining an updated valuation for the 2012 or 2011 year, a liability cannot be computed, thus resulting in the inability to record such amount in the combined financial statements for the years ending December 31, 2012 and 2011. The effect on the 2012 and 2011 statements of activities has not been determined.

NOTE 10- NOTE PAYABLE AND LONG-TERM DEBT

Note payable at December 31, 2012, consisted of:

Note Payable to Bank, \$100,000 unsecured line of credit, bears interest at prime rate 3.25% at December 31, 2011.	\$ 30,000	\$ 30,000
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Long-term debt at December 31, 2012, consisted of

Note Payable to Bank, due in monthly installments of \$12,500 of principal plus interest at prime plus 1.0% (4.25% as of December 31, 2012), through October 2013; secured by certificates of deposit.	<u>124,776</u>	<u>268,690</u>
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Total Combined Note Payable and Long-term Debt	<u>\$ 154,776</u>	<u>\$ 298,690</u>
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Annual principal future maturities at December 31, 2012 on long-term debt are as follows:

2013	<u>\$ 124,776</u>
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Interest expense of approximately \$9,000 and \$15,000 was incurred for the years ended December 31, 2012 and 2011, respectively.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 11 – COMMITMENTS

The Trustees guarantee loans for a few member churches. The guarantees in the amount of approximately \$2,500,000 are secured by the Trustees' assets.

NOTE 12 – OPERATING LEASES

The Conference leases office space from one of its member churches under an operating lease expiring in October 2016. The lease calls for monthly rental payments of \$5,392 for 2011 with rate increases in 2012, 2013, and 2014. Future noncancelable lease payments under the office lease to the date of expiration are as follows:

2013	\$ 87,450
2014	108,200
2015	108,200
2016	<u>90,167</u>
Total	<u>\$ 394,017</u>

The Conference also leases multiple small offices for its district superintendents under short term operating leases. Rent expense for the years ended December 31, 2012 and 2011 amounted to approximately \$89,122 and \$71,761, respectively.

The Conference leases office equipment under operating leases which have initial terms ranging from three to five years. Rent expense for the years ended December 31, 2012 and 2011 amounted to approximately \$8,250 and \$16,615, respectively. Future noncancelable lease payments under existing leases to the date of expiration are as follows:

2013	\$ 3,105
2014	<u>3,098</u>
Total	<u>\$ 6,203</u>

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

COMBINING STATEMENT OF ACTIVITIES - 2012

Year Ended December 31, 2012

	General Funds	Investment Funds	Trustee Funds	GBOPH Funds	3rd Party Funds	2012 Combined
Revenues						
Ministry Shares	\$ 8,347,487	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,347,487
Donations, Grants & Reimbursements	1,229,972	0	489,192	(17,731)	151,473	1,852,906
Direct Billed Benefits & Master Insurance Plan	0	0	2,912,630	8,753,103	0	11,665,733
Event Registration & Income	312,310	0	0	5,395	55,298	373,003
Camp & Retreat Revenue & Sales	2,105,606	0	0	0	971	2,106,577
Property Sales & Insurance Proceeds	409,425	0	844,188	0	0	1,253,613
Investment Income & Other	59,319	1,660,625	171,909	2,697,806	14,265	4,603,924
Interfund Transfers	0	0	0	0	0	0
Total Revenues	12,464,119	1,660,625	4,417,919	11,438,573	222,007	30,203,243
Expenses						
General Church Ministry Support	1,505,668	0	0	0	0	1,505,668
Compensation- Salaries, Wages & Housing Allowances	3,926,005	0	0	0	32,721	3,958,726
Fringe Benefits- Health Insurance, Pension & Workers' Comp	1,229,280	0	0	11,624,022	2,726	12,856,028
Employment Costs- Training, Recruitment & Moving Expenses	143,146	0	7,248	0	1,975	152,369
Program, Grants & Discretionary Expenditures	2,544,434	0	231,766	15,266	166,265	2,957,731
Travel, Mileage & Hospitality	448,606	0	0	0	16,063	464,669
Professional Services	216,433	0	190,849	4,168	22,300	433,750
Supplies- Food, Program & Maintenance Costs	858,191	0	0	0	3,426	861,617
Fees & Services	294,703	0	0	0	0	294,703
Facilities & Equipment- Maintenance Costs	338,821	0	271,362	0	0	610,183
Master Insurance Plan Cost	131,944	0	2,947,534	0	0	3,079,478
Rent & Property Tax Expenses	254,285	0	79,121	0	0	333,406
Utilities & Communications	439,259	0	15,264	0	0	454,523
Total Expenses	12,330,775	0	3,743,144	11,643,456	245,476	27,962,851
Change in Net Assets - Increase (Decrease)	133,344	1,660,625	674,775	(204,883)	(23,469)	2,240,392
Net Assets - Beginning of Year	11,917,718	339,607	10,005,412	32,766,782	202,907	55,232,426
Net Assets - End of Year	\$ 12,051,062	\$ 2,000,232	\$ 10,680,187	\$ 32,561,899	\$ 179,438	\$ 57,472,818

See independent auditors' report.

**UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

COMBINING STATEMENT OF ACTIVITIES - 2011

Year Ended December 31, 2011

	General Funds	Investment Funds	Trustee Funds	GBOPH Funds	3rd Party Funds	2011 Combined
Revenues						
Ministry Shares	\$ 8,197,737	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,197,737
Donations, Grants & Reimbursements	1,170,869	0	486,378	0	129,612	1,786,859
Direct Billed Benefits & Master Insurance Plan	0	0	2,745,173	10,069,215	0	12,814,388
Event Registration & Income	544,394	0	0	0	68,158	612,552
Camp & Retreat Revenue & Sales	2,099,848	0	1,047	0	1,022	2,101,917
Property Sales & Insurance Proceeds	0	0	679,907	0	0	679,907
Investment Income & Other	114,777	175,820	(13,001)	(390,101)	20,797	(91,708)
Interfund Transfers	134,479	3,802	(138,281)	0	0	0
Total Revenues	12,262,104	179,622	3,761,223	9,679,114	219,589	26,101,652
Expenses						
General Church Ministry Support	1,538,772	0	0	0	0	1,538,772
Compensation- Salaries, Wages & Housing Allowances	3,702,593	0	0	0	29,685	3,732,278
Fringe Benefits- Health Insurance, Pension & Workers' Comp	1,168,313	0	83	13,959,152	2,478	15,130,026
Employment Costs- Training, Recruitment & Moving Expenses	212,054	0	1,750	0	0	213,804
Program, Grants & Discretionary Expenditures	2,281,123	0	99,117	0	143,173	2,523,413
Travel, Mileage & Hospitality	920,520	0	0	0	17,862	938,382
Professional Services	287,610	0	112,147	0	25,851	425,608
Supplies- Food, Program & Maintenance Costs	805,302	0	0	0	2,469	807,771
Fees & Services	269,933	0	0	0	0	269,933
Facilities & Equipment- Maintenance Costs	341,881	0	86,655	0	0	428,536
Master Insurance Plan Cost	127,633	0	2,706,267	0	0	2,833,900
Rent & Property Tax Expenses	162,711	0	48,704	0	0	211,415
Utilities & Communications	453,683	0	46,171	0	906	500,760
Total Expenses	12,272,128	0	3,100,894	13,959,152	222,424	29,554,598
Change in Net Assets - Increase (Decrease)	(10,024)	179,622	660,329	(4,280,038)	(2,835)	(3,452,946)
Net Assets - Beginning of Year	11,927,742	159,985	9,345,083	37,046,820	205,742	58,685,372
Net Assets - End of Year	\$ 11,917,718	\$ 339,607	\$ 10,005,412	\$ 32,766,782	\$ 202,907	\$ 55,232,426

See independent auditors' report.