

UPPER NEW YORK ANNUAL
CONFERENCE OF THE UNITED
METHODIST CHURCH

COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

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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 financial statements of the **UPPER NEW YORK ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH** (a nonprofit organization) which comprise the combined statements of financial position as of December 31, 2015 and 2014, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements to design audit procedures that are appropriate in the circumstances, but not for 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 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 9 to the combined financial statements, the Upper York Annual Conference did not obtain a valuation of its postretirement health benefits for the year ending December 31, 2015 or 2014. By not obtaining a valuation for the 2015 and 2014 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, 2015 and 2014. The effect on the 2015 and 2014 statements of activities has not been determined. In our opinion, a liability for postretirement health benefits and related disclosures are required by accounting principles generally accepted in the United States of America.

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 combined statements of financial position of not recording depreciation on a straight-line basis over the estimated useful life of property and equipment is approximately \$354,000 and \$362,000 for the years ended December 31, 2015 and 2014, respectively.

Qualified Opinion

In our opinion, except for the effects of the matters 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 financial position of the Upper New York Annual Conference of The United Methodist Church as of 2015 and 2014 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for forming an opinion on the combined financial statements. The supplementary information on page twenty-four and twenty-five is presented for 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 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 adjustments described in the Basis for Qualified Opinion paragraphs as might have been determined to be necessary, the information is fairly stated in all material respects in relation to the financial statements.

Bowers & Company

Syracuse, New York
May 19, 2017

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

AUDITED FINANCIAL STATEMENTS

COMBINED STATEMENT OF FINANCIAL POSITION - 2015

December 31, 2015

ASSETS

	General Funds	Investment Funds	Trustee Funds	CBOPH Funds	3rd Party Funds	2015 Combined
ASSETS						
Cash and Cash Equivalents	\$ 4,656,146	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,656,146
Investments	0	18,392,802	0	21,250,536	0	39,643,338
Investments - Custodial Accounts	0	0	1,192,994	0	0	1,192,994
Notes Receivable - Churches and Seminary	0	0	177,422	0	0	177,422
Receivables - Benefits and Insurance	0	0	18,000	484,744	0	502,744
Prepaid Expenses and Other Assets	130,708	0	36,763	0	0	167,471
InterConference Funds	(615,249)	(13,427,584)	5,285,067	8,629,097	128,669	0
Property and Equipment - Net	7,597,020	0	2,961,494	0	0	10,558,514
TOTAL ASSETS	\$ 11,768,625	\$ 4,965,218	\$ 9,671,740	\$ 30,364,377	\$ 128,669	\$ 56,898,629

LIABILITIES AND NET ASSETS

LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 565,597	\$ 0	\$ 0	\$ 0	\$ (43)	\$ 565,554
Pass-Through Liabilities	28,886	0	0	0	0	28,886
TOTAL LIABILITIES	594,483	0	0	0	(43)	594,440
NET ASSETS						
Unrestricted	(766,306)	4,965,218	(872,267)	(2,413,544)	0	913,101
Unrestricted - Designated	2,792,327	0	6,194,421	31,710,800	128,712	40,826,260
Temporarily Restricted	8,871,677	0	4,272,968	62,597	0	13,207,242
Permanently Restricted	276,444	0	76,618	1,004,524	0	1,357,586
TOTAL NET ASSETS	11,174,142	4,965,218	9,671,740	30,364,377	128,712	56,304,189
TOTAL LIABILITIES AND NET ASSETS	\$ 11,768,625	\$ 4,965,218	\$ 9,671,740	\$ 30,364,377	\$ 128,669	\$ 56,898,629

See notes to combined financial statements.

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

COMBINED STATEMENT OF FINANCIAL POSITION - 2014

December 31, 2014

ASSETS

	General Funds	Investment Funds	Trustee Funds	CBOPH Funds	3rd Party Funds	2014 Combined
ASSETS						
Cash and Cash Equivalents	\$ 3,654,795	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,654,795
Investments	0	19,871,357	0	24,410,758	0	44,282,115
Investments - Custodial Accounts	0	0	1,264,482	0	0	1,264,482
Notes Receivable - Churches and Seminary	0	0	276,927	0	0	276,927
Receivables - Benefits and Insurance	0	0	16,000	235,285	0	251,285
Prepaid Expenses and Other Assets	70,738	0	20,069	0	0	90,807
Inter-Conference Funds	1,014,424	(14,590,243)	6,360,227	7,025,227	190,365	0
Property and Equipment - Net	7,597,020	0	2,417,433	0	0	10,014,453
TOTAL ASSETS	\$ 12,336,977	\$ 5,281,114	\$ 10,355,138	\$ 31,671,270	\$ 190,365	\$ 59,834,864

LIABILITIES AND NET ASSETS

LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 1,313,330	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,313,330
Pass-Through Liabilities	55,565	0	0	0	0	55,565
TOTAL LIABILITIES	1,368,895	0	0	0	0	1,368,895
NET ASSETS						
Unrestricted	(877,647)	5,281,114	5,782	(1,106,650)	0	3,302,599
Unrestricted - Designated	2,792,327	0	6,688,411	31,710,799	190,365	41,381,902
Temporarily Restricted	8,776,958	0	3,584,327	62,597	0	12,423,882
Permanently Restricted	276,444	0	76,618	1,004,524	0	1,357,586
TOTAL NET ASSETS	10,968,082	5,281,114	10,355,138	31,671,270	190,365	58,465,969
TOTAL LIABILITIES AND NET ASSETS	\$ 12,336,977	\$ 5,281,114	\$ 10,355,138	\$ 31,671,270	\$ 190,365	\$ 59,834,864

See notes to combined financial statements.

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

COMBINED STATEMENT OF ACTIVITIES - 2015

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
REVENUES AND SUPPORT				
Ministry Shares	\$ 7,752,657	\$ 0	\$ 0	\$ 7,752,657
Donations, Grants & Reimbursements	573,020	238,089	0	811,109
Direct Billed Benefits & Master Insurance Plan	8,082,346	0	0	8,082,346
Event Registration & Income	596,137	0	0	596,137
Camp & Retreat Revenue & Sales	2,540,804	0	0	2,540,804
Property Sales & Insurance Proceeds	865,711	0	0	865,711
Investment Income & Other	(845,053)	(43,332)	0	(888,385)
Interfund Transfers	(764,728)	764,728	0	0
Total Revenues and Support	<u>18,800,894</u>	<u>959,485</u>	<u>0</u>	<u>19,760,379</u>
EXPENSES				
General Church Ministry Support	1,378,703	0	0	1,378,703
Compensation - Salaries, Wages & Housing Allowances	4,379,985	0	0	4,379,985
Fringe Benefits - Health Insurance, Pension & Workers' Comp	10,105,313	0	0	10,105,313
Employment Costs - Training, Recruitment & Moving Expenses	371,317	29,327	0	400,644
Program, Grants & Discretionary Expenditures	1,924,226	25,126	0	1,949,352
Travel, Mileage & Hospitality	656,664	0	0	656,664
Professional Services	457,276	15,219	0	472,495
Supplies - Food, Program & Maintenance Costs	836,247	10,949	0	847,196
Fees & Services	247,063	0	0	247,063
Facilities & Equipment- Maintenance Costs	504,117	345	0	504,462
Master Insurance Plan Cost	128,182	0	0	128,182
Rent & Property Tax Expenses	237,340	0	0	237,340
Utilities & Communications	424,610	0	0	424,610
Other	94,991	95,159	0	190,150
Total Expenses	<u>21,746,034</u>	<u>176,125</u>	<u>0</u>	<u>21,922,159</u>
Change in Net Assets - Increase (Decrease)	(2,945,140)	783,360	0	(2,161,780)
Net Assets, Beginning of Year	<u>44,684,501</u>	<u>12,423,882</u>	<u>1,357,586</u>	<u>58,465,969</u>
Net Assets, End of Year	<u>\$ 41,739,361</u>	<u>\$ 13,207,242</u>	<u>\$ 1,357,586</u>	<u>\$ 56,304,189</u>

See notes to combined financial statements.

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

COMBINED STATEMENT OF ACTIVITIES - 2014

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014
REVENUES AND SUPPORT				
Ministry Shares	\$ 7,872,802	\$ 0	\$ 0	\$ 7,872,802
Donations, Grants & Reimbursements	862,741	243,734	0	1,106,475
Direct Billed Benefits & Master Insurance Plan	8,091,378	0	0	8,091,378
Event Registration & Income	561,700	0	0	561,700
Camp & Retreat Revenue & Sales	2,311,073	0	0	2,311,073
Property Sales & Insurance Proceeds	410,863	0	0	410,863
Investment Income & Other	1,787,191	37,171	0	1,824,362
Interfund Transfers	(579,075)	579,075	0	0
Total Revenues and Support	<u>21,318,673</u>	<u>859,980</u>	<u>0</u>	<u>22,178,653</u>
EXPENSES				
General Church Ministry Support	1,214,805	0	0	1,214,805
Compensation - Salaries, Wages & Housing Allowances	4,460,283	0	0	4,460,283
Fringe Benefits - Health Insurance, Pension & Workers' Comp	11,665,972	0	0	11,665,972
Employment Costs - Training, Recruitment & Moving Expenses	456,579	6,000	0	462,579
Program, Grants & Discretionary Expenditures	1,655,944	33,483	0	1,689,427
Travel, Mileage & Hospitality	630,646	0	0	630,646
Professional Services	471,266	0	0	471,266
Supplies - Food, Program & Maintenance Costs	759,433	0	0	759,433
Fees & Services	332,565	0	0	332,565
Facilities & Equipment- Maintenance Costs	516,062	690	0	516,752
Master Insurance Plan Cost	140,741	0	0	140,741
Rent & Property Tax Expenses	210,989	0	0	210,989
Utilities & Communications	527,195	0	0	527,195
Other	264,384	29,483	0	293,867
Total Expenses	<u>23,306,864</u>	<u>69,656</u>	<u>0</u>	<u>23,376,520</u>
Change in Net Assets - Increase (Decrease)	(1,988,191)	790,324	0	(1,197,867)
Net Assets, Beginning of Year	<u>46,672,692</u>	<u>11,633,558</u>	<u>1,357,586</u>	<u>59,663,836</u>
Net Assets, End of Year	<u>\$ 44,684,501</u>	<u>\$ 12,423,882</u>	<u>\$ 1,357,586</u>	<u>\$ 58,465,969</u>

See notes to combined financial statements.

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

COMBINED STATEMENT OF CASH FLOWS - 2015

Year Ended December 31, 2015

	2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (2,161,780)
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:	
(Gain) on Sale of Property	(67,251)
Increase in Church Loan Reserve	40,000
Net Change in Operating Assets and Liabilities	
Church Loan Receivables	59,505
Other Receivables	(251,459)
Prepaid Expenses and Other Assets	(76,664)
Accounts Payable and Accrued Expenses	<u>(774,455)</u>
Net Cash Used In Operating Activities	<u>(3,232,104)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) Decrease in Investments - Net	4,638,777
(Increase) Decrease in Custodial Funds - Net	71,488
Purchase of Properties and Equipment	(1,054,485)
Proceeds From Sale of Conference Center	<u>577,675</u>
Net Cash Provided By Investing Activities	<u>4,233,455</u>
Net Increase in Cash and Cash Equivalents	1,001,351
Cash and Cash Equivalents, Beginning of Year	<u>3,654,795</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,656,146</u></u>

See notes to combined financial statements.

UPPER NEW YORK ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

COMBINED STATEMENT OF CASH FLOWS - 2014

Year Ended December 31, 2014

	2014
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (1,197,867)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Service in Lieu of Payments	(6,997)
Net Change in Operating Assets and Liabilities	
Church Loan Receivables	45,329
Other Receivables	1,739,183
Prepaid Expenses and Other Assets	(56,563)
Accounts Payable and Accrued Expenses	<u>375,024</u>
Net Cash Provided By Operating Activities	<u>898,109</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) Decrease in Investments - Net	(1,789,270)
(Increase) Decrease in Custodial Funds - Net	142
Purchase of Properties and Equipment	<u>(524,778)</u>
Net Cash Used In Investing Activities	<u>(2,313,906)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on Long Term Debt	<u>(30,000)</u>
Net Cash Used In Financing Activities	<u>(30,000)</u>
Net Decrease in Cash and Cash Equivalents	(1,445,797)
Cash and Cash Equivalents, Beginning of Year	<u>5,100,592</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,654,795</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, 2015 and 2014

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 make disciples of Jesus Christ for the transformation of the world by equipping its local churches for ministry and by providing a connection for ministry beyond the local church; all to the glory of God. 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, 2015 and 2014

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, 2015 and 2014

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Receivables – Benefits and Insurance

Receivables represent amounts collected in 2016 for 2015 and 2015 for 2014 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, 2015 and 2014 were \$297,736 and \$0, 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 before 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 is such that approximately \$354,000 and \$362,000 of depreciation expense and a corresponding reduction in net asset value of \$1,817,000 and \$1,462,000 has not been recorded at December 31, 2015 and 2014.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

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

Pass-through Liabilities

Pass-through liabilities represent amounts received that have not been passed on to certain charities specified by the donors. The Conference remits such funds periodically through-out the year. The Conference does not have variance power over how these funds are disbursed and serves only an administrative function in collecting and disbursing the funds. Cash receipts and disbursements related to pass-through liabilities are not included in the Conference's revenues and expenses.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Subsequent Events

The Conference has evaluated events and transactions that occurred between December 31, 2015 and May 19, 2017, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

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, 2015 and 2014

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, 2015 and 2014

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, 2015:

	Level 1	Level 2	Level 3	Total
Money Market Funds	1,919,811	\$		\$ 1,919,811
Certificates of Deposit	23,102			23,102
Mutual Funds	1,279,287			1,279,287
Stocks	6,897,405			6,897,405
Bonds	1,195,302			1,195,302
Fixed Rate Securities	58,705			58,705
Pooled Investment Funds		29,462,720		29,462,720
Total Assets at Fair Value	<u>11,373,612</u>	<u>\$ 29,462,720</u>	<u>0</u>	<u>\$ 40,836,332</u>

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, 2014:

	Level 1	Level 2	Level 3	Total
Money Market Funds	2,151,671	\$		\$ 2,151,671
Certificates of Deposit	28,707			28,707
Mutual Funds	2,475,594			2,475,594
Stocks	5,913,461			5,913,461
Bonds	1,426,176			1,426,176
Fixed Rate Securities	159,286			159,286
Pooled Investment Funds		33,391,702		33,391,702
Total Assets at Fair Value	<u>12,154,895</u>	<u>\$ 33,391,702</u>	<u>0</u>	<u>\$ 45,546,597</u>

Investment return including interest, dividends, net realized and unrealized gains and (losses) for the years ended December 31, 2015 and 2014 was approximately (\$888,000) and \$1,824,000, respectively. At December 31, 2015 and 2014, allocations of investment earnings to the various net asset categories have not been calculated and posted for the years 2010 through 2015.

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

December 31, 2015 and 2014

NOTE 5 - PROPERTY AND EQUIPMENT

The following are carried as Fixed Assets in the statement of financial position of the Conference at December 31, 2015 and 2014, using the various recording methods for the four conferences as united in July 2010.

	2015	2014
Camps	\$ 9,715,084	\$ 9,715,084
Parsonages and Residence	2,027,332	1,754,671
Office Equipment	123,461	123,461
Conference Centers	1,093,750	1,247,337
	<u>12,959,627</u>	<u>12,840,553</u>
Less: Accumulated Depreciation (Through 6/30/10)	<u>(2,401,113)</u>	<u>(2,826,100)</u>
Total	<u>\$ 10,558,514</u>	<u>\$ 10,014,453</u>

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, 2015 and 2014 the total church loan balances outstanding were \$177,378 and \$212,699, respectively. The Conference has recorded a reserve of \$107,500 and 67,500 for potential uncollectible church loans at December 31, 2015 and 2014.

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, 2015 and 2014 the total Bulson student loan balances outstanding were \$107,544 and \$131,728, 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 \$6,997 was charged to the statement of activities for the year ended December 31, 2014. At December 31, 2014, the total Seminary loan balances outstanding was \$0.

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NOTES TO COMBINED FINANCIAL STATEMENTS

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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.

	2015	2014
Balances at Beginning of Year	\$ 1,264,482	\$ 1,264,624
Investment Income (Loss) - Net of Fees	(43,904)	48,145
Paid to Designated Beneficiaries	<u>(27,584)</u>	<u>(48,287)</u>
Balances at December 31	<u>\$ 1,192,994</u>	<u>\$ 1,264,482</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, BOOM, Episcopal, General Business Administration and all Conference teams, resources activities

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.

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

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

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NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 - RETIREMENT/WELFARE PLANS

The UNYAC participates in a multiemployer defined benefit pension plan (the "Plan" administered by the General Board that covers substantially all UMC clergy. The UNYAC participates in various sub-plans under the multiemployer plan 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. There have been no significant changes that affect comparability of the 2015 and 2014 contributions.

The Plan covers three service periods and is therefore managed as three sub-plans since the benefit structure differs for each of the service periods, although the funding for any of the sub-plans can, under certain circumstances, cover any of the sub-plans.

The risks of participating in these multi-employer sub-plans are different from single-employer plans in the following respects:

- a) Assets contributed to the multiemployer plan by one conference may be used to provide benefits to clergy of other U.S. United Methodist Annual Conferences.
- b) If an annual conference stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating annual conferences.

As of January 1, 2015, the date for which the most current information is available, the Pre-1982 Plan for all Conferences had assets of \$2,455,880,058 and liabilities of \$2,756,858,336 for a net unfunded status of \$(300,978,278). As of January 1, 2015, the date for which the most current information is available, the CRSP-DB and MPP Plans for all Conferences had assets of \$4,916,132,988 and liabilities of \$4,393,301,273 for a net funded status of \$522,831,715.

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NOTE 9 – RETIREMENT/WELFARE PLANS - Continued

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 2015:

Past Service Rate	<u>\$</u> <u>600</u>
Contingent Annuitant Percentage	<u>\$</u> <u>75%</u>

As of January 1, 2015, the valuation date for 2017 contributions, the Pre-1982 Plan had a funded status of 87%. Expense for the years ended December 31, 2015 and 2014 amounted to \$193,258 and \$792,423, respectively.

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. The Conference made no contributions to the plan in 2015 and 2014 because the plan was funded. It is possible that contributions will be required in the future if plan assets are insufficient to fund the annuities.

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, 2015, the valuation date for 2017 contributions, the CRSP-Defined Benefit plan had a funded status of 112%. Expense for the years ended December 31, 2015 and 2014 amounted to \$2,218,486 and \$2,108,605, respectively.

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NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 – RETIREMENT/WELFARE PLANS - Continued

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. Expense for the years ended December 31, 2015 and 2014 for CRSP-DC for clergy amounted to \$563,352 and \$595,428, 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, 2015 and 2014 amounted to \$175,186 and \$168,856, respectively.

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. Expense for the years ended December 31, 2015 and 2014 for clergy CPP programs amounted to \$556,426 and \$593,728, 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.

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NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 – RETIREMENT/WELFARE PLANS - Continued

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.

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, 2015 and 2014. By not obtaining an updated valuation for the 2015 or 2014 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, 2015 and 2014. The effect on the 2015 and 2014 statements of activities has not been determined.

NOTE 11 – COMMITMENTS

The Trustees guarantee loans for a few member churches. The guarantees in the amount of approximately \$1,100,000 are secured by the Trustees' assets.

In July 2015, the Conference purchased a building on Henry Clay Blvd in Liverpool NY and remodeled the facility which currently contains the Annual Conference offices, the Crossroad District offices, the Episcopal offices, historical archive center and a resource center. The Conference moved in March 2017. As of December 31, 2015, the total costs incurred with respect to the new facility was approximately \$802,000. The totals costs associated with the facility at May 19, 2017 was approximately \$3,725,000.

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NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 12 – OPERATING LEASES

The Conference leases office space from one of its member churches under an operating lease expiring in October 2016 and subsequently extended on a month to month basis through March 2017. The lease calls for monthly rental payments of \$9,017 through 2016. Rent expense for each of the years ended December 31, 2015 and 2014 amounted to approximately \$108,200. Future noncancelable lease payments under the office lease to the date of expiration are as follows:

2016	\$ 108,200
2017	<u>18,034</u>
Total	<u>\$ 126,234</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, 2015 and 2014 amounted to approximately \$96,800 and \$129,400, respectively.

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COMBINING STATEMENT OF ACTIVITIES - 2015
Year Ended December 31, 2015

	General Funds	Investment Funds	Trustee Funds	CBOPH Funds	3rd Party Funds	2015 Combined
Revenues						
Ministry Shares	\$ 7,752,657	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,752,657
Donations, Grants & Reimbursements	704,524	0	0	0	106,585	811,109
Direct Billed Benefits & Master Insurance Plan	0	0	0	8,082,346	0	8,082,346
Event Registration & Income	548,782	0	0	0	47,355	596,137
Camp & Retreat Revenue & Sales	2,539,221	0	0	0	1,583	2,540,804
Property Sales & Insurance Proceeds	0	0	865,711	0	0	865,711
Investment Income & Other	11,450	(315,678)	(35,790)	(548,367)	0	(888,385)
Interfund Transfers	854,422		(854,422)			0
Total Revenues	12,411,056	(315,678)	(24,501)	7,533,979	155,523	19,760,379
Expenses						
General Church Ministry Support	1,378,703	0	0	0	0	1,378,703
Compensation - Salaries, Wages & Housing Allowances	4,350,676	0	0	0	29,309	4,379,985
Fringe Benefits - Health Insurance, Pension & Workers' Comp	1,344,564	0	26,449	8,726,885	7,415	10,105,313
Employment Costs - Training, Recruitment & Moving Expenses	390,038	0	0	8,056	2,550	400,644
Program, Grants & Discretionary Expenditures	1,648,862	0	51,924	105,931	142,635	1,949,352
Travel, Mileage & Hospitality	645,009	0	0	0	11,655	656,664
Professional Services	204,193	218	249,984	0	18,100	472,495
Supplies - Food, Program & Maintenance Costs	841,684	0	0	0	5,512	847,196
Fees & Services	247,063	0	0	0	0	247,063
Facilities & Equipment- Maintenance Costs	332,622	0	171,840	0	0	504,462
Master Insurance Plan Cost	31,622	0	96,560	0	0	128,182
Rent & Property Tax Expenses	208,010	0	29,330	0	0	237,340
Utilities & Communications	402,301	0	22,309	0	0	424,610
Other	179,649	0	10,501	0	0	190,150
Total Expenses	12,204,996	218	658,897	8,840,872	217,176	21,922,159
Change in Net Assets - Increase (Decrease)	206,060	(315,896)	(683,398)	(1,306,893)	(61,653)	(2,161,780)
Net Assets - Beginning of Year	10,968,082	5,281,114	10,355,138	31,671,270	190,365	58,465,969
Net Assets - End of Year	\$ 11,174,142	\$ 4,965,218	\$ 9,671,740	\$ 30,364,377	\$ 128,712	\$ 56,304,189

See independent auditors' report.

**UPPER NEW YORK ANNUAL CONFERENCE
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COMBINING STATEMENT OF ACTIVITIES - 2014
Year Ended December 31, 2014

	General Funds	Investment Funds	Trustee Funds	CBOPH Funds	3rd Party Funds	2014 Combined
Revenues						
Ministry Shares	\$ 7,872,802	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,872,802
Donations, Grants & Reimbursements	975,509	0	0	0	130,966	1,106,475
Direct Billed Benefits & Master Insurance Plan	0	0	0	8,091,378	0	8,091,378
Event Registration & Income	507,009	0	0	0	54,691	561,700
Camp & Retreat Revenue & Sales	2,226,300	0	83,431	761	581	2,311,073
Property Sales & Insurance Proceeds	22,745	0	388,118	0	0	410,863
Investment Income & Other	23,672	906,823	44,293	849,574	0	1,824,362
Interfund Transfers	231,070	0	(231,070)	0	0	0
Total Revenues	11,859,107	906,823	284,772	8,941,713	186,238	22,178,653
Expenses						
General Church Ministry Support	1,214,805	0	0	0	0	1,214,805
Compensation - Salaries, Wages & Housing Allowances	4,424,853	0	0	0	35,430	4,460,283
Fringe Benefits - Health Insurance, Pension & Workers' Comp	1,360,288	0	44,309	10,254,567	6,808	11,665,972
Employment Costs - Training, Recruitment & Moving Expenses	460,729	0	0	0	1,850	462,579
Program, Grants & Discretionary Expenditures	1,347,401	0	90,555	136,418	115,053	1,689,427
Travel, Mileage & Hospitality	617,720	0	0	0	12,926	630,646
Professional Services	205,702	0	236,344	0	29,220	471,266
Supplies - Food, Program & Maintenance Costs	757,937	0	0	0	1,496	759,433
Fees & Services	267,072	0	65,493	0	0	332,565
Facilities & Equipment- Maintenance Costs	401,101	0	115,651	0	0	516,752
Master Insurance Plan Cost	84,133	0	56,608	0	0	140,741
Rent & Property Tax Expenses	189,609	0	21,380	0	0	210,989
Utilities & Communications	497,010	0	30,185	0	0	527,195
Other	288,100	481	4,170	0	1,116	293,867
Total Expenses	12,116,460	481	664,695	10,390,985	203,899	23,376,520
Change in Net Assets - Increase (Decrease)	(257,353)	906,342	(379,923)	(1,449,272)	(17,661)	(1,197,867)
Net Assets - Beginning of Year	11,225,435	4,374,772	10,735,061	33,120,542	208,026	59,663,836
Net Assets - End of Year	\$ 10,968,082	\$ 5,281,114	\$ 10,355,138	\$ 31,671,270	\$ 190,365	\$ 58,465,969

See independent auditors' report.