

**U**PPER NEW YORK ANNUAL  
CONFERENCE OF THE UNITED  
METHODIST CHURCH

---

*COMBINED FINANCIAL STATEMENTS*

December 31, 2010

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**BOWERS & COMPANY  
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying combined statement of financial position of the **UPPER NEW YORK ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH** (a nonprofit organization) as of December 31, 2010 and the related combined statements of activities and cash flows for the six months 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audit provides 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 six months ending December 31, 2010. By not obtaining a valuation for the 2010 period, a liability cannot be computed, thus resulting in the inability to record such amount in the combined financial statements for the six months ending December 31, 2010. The effect on the 2010 statement of activities has not been determined. In our opinion, a liability for postretirement health benefits and related disclosures are required by accounting principles generally accepted in the United States of America.

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 financial statements of not recording depreciation on a straight line basis over the estimated useful life of property and equipment is approximately \$157,000.

The scope of our audit did not include an examination of the Sky Lake of Wyoming Conference, Inc. The combined statement of financial position includes the accounts of the Sky Lake of Wyoming Conference, Inc. at December 31, 2010. Those accounts were audited by other auditors who issued an unqualified opinion in their report dated October 3, 2011.

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 audit 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 Conference of The United Methodist Church as of December 31, 2010 and the changes in its net assets and cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information on page twenty 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 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 preceding paragraphs as might have been determined to be necessary if the scope of our audit 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  
February 27, 2015

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

**AUDITED FINANCIAL STATEMENTS**

**COMBINED STATEMENT OF FINANCIAL POSITION**

December 31, 2010

**ASSETS**

	General Funds	Investment Funds	Trustee Funds	GBOPH Funds	Property Funds	3rd Party Funds	2010 Combined
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 4,700,035	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,700,035
Investments	191,355	15,141,178	0	28,245,941	0	0	43,578,474
Investments - Custodial Accounts	0	0	1,232,534	0	0	0	1,232,534
Notes Receivable - Churches and Seminary	0	0	703,333	0	0	0	703,333
Other Receivables	159,447	0	6,055	49,195	0	0	214,697
Prepaid Expenses and Other Assets	171,875	0	0	0	0	0	171,875
InterConference Funds	695,681	(14,981,193)	6,329,473	8,751,684	(1,001,387)	205,742	0
Property and Equipment - Net	5,336,463	0	0	0	4,249,467	0	9,585,930
<b>TOTAL ASSETS</b>	<b>\$ 11,254,856</b>	<b>\$ 159,985</b>	<b>\$ 8,271,395</b>	<b>\$ 37,046,820</b>	<b>\$ 3,248,080</b>	<b>\$ 205,742</b>	<b>\$ 60,186,878</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>							
Accounts Payable and Accrued Expenses	\$ 100,178	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,178
Due to New England Conference	953,624	0	0	0	0	0	953,624
Notes Payable	447,704	0	0	0	0	0	447,704
<b>TOTAL LIABILITIES</b>	<b>1,501,506</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,501,506</b>
<b>NET ASSETS</b>							
Unrestricted	691,313	159,985	(142,639)	4,955,308	0	0	5,663,967
Unrestricted - Designated	2,644,459	0	6,329,372	30,969,307	0	205,742	40,148,880
Temporarily Restricted	1,495,878	0	1,964,386	62,597	0	0	3,522,861
Temporarily Restricted - PPE	4,659,806	0	0	0	3,248,080	0	7,907,886
Permanently Restricted	261,894	0	120,276	1,059,608	0	0	1,441,778
<b>TOTAL NET ASSETS</b>	<b>9,753,350</b>	<b>159,985</b>	<b>8,271,395</b>	<b>37,046,820</b>	<b>3,248,080</b>	<b>205,742</b>	<b>58,685,372</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 11,254,856</b>	<b>\$ 159,985</b>	<b>\$ 8,271,395</b>	<b>\$ 37,046,820</b>	<b>\$ 3,248,080</b>	<b>\$ 205,742</b>	<b>\$ 60,186,878</b>

See notes to combined financial statements.

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

**COMBINED STATEMENT OF ACTIVITIES**

Six Months Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
<b>REVENUES AND SUPPORT</b>				
Ministry Shares	\$ 4,969,206	\$ 0	\$ 0	\$ 4,969,206
Donations, Grants & Reimbursements	523,773	141,649	0	665,422
Direct Billed Benefits & Master Insurance Plan	8,330,890	0	0	8,330,890
Event Registration & Income	226,729	5,750	0	232,479
Camp & Retreat Revenue & Sales	746,629	0	0	746,629
Property Sales & Insurance Proceeds	554,499	0	0	554,499
Investment Income & Other	5,071,144	125,020	721	5,196,885
Total Revenues and Support	<u>20,422,870</u>	<u>272,419</u>	<u>721</u>	<u>20,696,010</u>
<b>EXPENSES</b>				
General Church Ministry Support	860,287	0	0	860,287
Compensation- Salaries, Wages & Housing Allowances	1,766,200	0	0	1,766,200
Fringe Benefits- Health Insurance, Pension & Workers' Comp	7,533,438	0	0	7,533,438
Employment Costs- Training, Recruitment & Moving Expenses	54,337	0	0	54,337
Program, Grants & Discretionary Expenditures	1,334,482	41,010	0	1,375,492
Travel, Mileage & Hospitality	164,544	0	0	164,544
Professional Services	329,223	0	0	329,223
Supplies- Food, Program & Maintenance Costs	373,523	0	0	373,523
Fees & Services	33,795	0	0	33,795
Facilities & Equipment- Maintenance Costs	138,123	3,783	0	141,906
Master Insurance Plan Cost	1,176,535	0	0	1,176,535
Rent & Property Tax Expenses	182,188	0	0	182,188
Utilities & Communications	170,882	0	0	170,882
Total Expenses	<u>14,117,557</u>	<u>44,793</u>	<u>0</u>	<u>14,162,350</u>
Change in Net Assets - Increase	6,305,313	227,626	721	6,533,660
Net Assets, Beginning of Period	<u>39,507,534</u>	<u>11,203,121</u>	<u>1,441,057</u>	<u>52,151,712</u>
Net Assets, End of Period	<u>\$ 45,812,847</u>	<u>\$ 11,430,747</u>	<u>\$ 1,441,778</u>	<u>\$ 58,685,372</u>

See notes to combined financial statements.

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

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**COMBINED STATEMENT OF CASH FLOWS**

Six Months Ended December 31, 2010

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 6,533,660
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Realized/Unrealized (Gain) Loss on Investments	(5,322,370)
(Gain) Loss on Sale of Property	(256,964)
Service in Lieu of Payments	(5,786)
Net Change in Operating Assets and Liabilities	
Church Loan Receivables	94,568
Other Receivables	(214,695)
Prepaid Expenses and Other Assets	(171,875)
Accounts Payable and Accrued Expenses	100,178
Due to New England Conference	953,624
	<hr/>
Net Cash Provided By Operating Activities	1,710,340
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
(Increase) Decrease in Investments - Net	367,505
(Increase) Decrease in Custodial Funds - Net	(23,194)
Purchase of Properties and Equipment	(162,230)
Proceeds From Sale of Properties	486,133
	<hr/>
Net Cash Provided By Investing Activities	668,214
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<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on Long Term Debt	(75,000)
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Net Cash Used For Financing Activities	(75,000)
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Net Increase in Cash and Cash Equivalents	2,303,554
Cash and Cash Equivalents, Beginning of Period	2,396,481
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Cash and Cash Equivalents, End of Period	<u><u>\$ 4,700,035</u></u>

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See notes to combined financial statements.



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

December 31, 2010

**NOTE 1 – NATURE OF OPERATIONS**

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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**

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**Principles of Combination**

The combined financial statements of the UNYAC includes the accounts of CCFA, the Board of Trustees, the Camping and Retreat Ministry and the Episcopal Office all of which are under common management. The statements for the six months ended December 31, 2010 include the statement of financial position from Sky Lake of Wyoming Conference, Inc. but does not include the statement of activities or cash flows.



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

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2010

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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, therefore, has 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.

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

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2010

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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.

**Other Receivables**

Other receivables represent amounts collected in 2011 for balances outstanding from member churches for apportionments and direct billings. It also includes balance received from the Wyoming Annual Conference (\$79,291) for final distribution of account holdings.

**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 previously, with current additions in the six month period.

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 \$157,000 of depreciation expense and a corresponding reduction in net asset value has not been recorded at December 31, 2010.

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

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2010

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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.

**Temporarily Restricted Net Assets: Property & Equipment**

**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.

**Fidelity Bond**

The General Council on Finance and Administration provides \$1,000,000 fidelity bond protection for all Annual Conference Treasurers and their staff at no charge. Fidelity bonding for trustees and related staff is provided by the Annual Conference.

**Subsequent Events**

The Company has evaluated events and transactions that occurred between June 30, 2010 and February 27, 2015, 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**

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2010

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Statements of Cash Flows**

Supplemental disclosures of cash flow information are as follows:

Cash Paid During the Six Months For:

Interest	\$ <u>9,858</u>
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**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**

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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**

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2010

**NOTE 4 – FAIR VALUE**

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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 six months.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2010

**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, 2010:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money Market Funds	\$ 838,366	\$	\$	\$ 838,366
Certificates of Deposit	561,410			561,410
Mutual Funds	1,471,814			1,471,814
Stocks	3,976,009			3,976,009
Bonds	2,523,756			2,523,756
Fixed Rate Securities	464,357	0		464,357
Pooled Investment Fund		34,975,296		34,975,296
<b>Total Assets at Fair Value</b>	<b>\$ 9,835,712</b>	<b>\$ 34,975,296</b>	<b>\$ 0</b>	<b>\$ 44,811,008</b>

Investment return including interest, dividend, net realized and unrealized gains and losses for the six months ended December 31, 2010 was \$5,381,950:

**NOTE 5 - PROPERTY AND EQUIPMENT**

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

Camps	\$ 9,965,084
Parsonages and Residence	972,452
Office Equipment	123,461
Conference Centers	1,351,033
	<u>12,412,030</u>
Less: Accumulated Depreciation (Through 6/30/10)	<u>(2,826,100)</u>
<b>Total</b>	<b>\$ 9,585,930</b>

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

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2010

**NOTE 6 – CHURCH AND SEMINARY LOANS RECEIVABLE**

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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, 2010 the total church loan balances outstanding was \$507,210.

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, 2010 the total Bulson student loan balances outstanding was \$164,182.

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 \$5,786 was charged to the statement of activities for the six months ended December 31, 2010. At December 31, 2010 the total Seminary loan balances outstanding was \$31,941.

**NOTE 7 - TRUSTEES' FUNDS - CUSTODIAN ACCOUNTS**

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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.

Balances at June 30, 2010	\$ 1,145,504
Investment Income (Interest, Dividends, Unrealized Gains)	114,960
Paid to Designated Beneficiaries	<u>(27,930)</u>
Balances at December 31, 2010	<u>\$ 1,232,534</u>



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

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2010

**NOTE 8 - NET ASSETS**

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Net assets at December 31, 2010 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

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 and district parsonages.

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.

Property Funds – includes the activities of all purchases and sales of Conference held Property & Equipment.

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

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

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2010

**NOTE 9 - RETIREMENT/WELFARE PLANS**

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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 2010:

Past Service Rate	<u>\$ 552</u>
Contingent Annuitant Percentage	<u>\$ 75%</u>

As of January 1, 2010, the valuation date, the Pre-1982 Plan had a funded status of 118%. Expense for the six months ended December 31, 2010 amounted to \$0.

**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 at least 65% of his or her total account balance to an annuity. This plan ended effective December 31, 2006. Expense for the six months ended December 31, 2010 amounted to \$0.

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

December 31, 2010

**NOTE 9 – RETIREMENT/WELFARE PLANS - Continued**

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**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, 2010, the valuation date, the CRSP-Defined Benefit plan had a funded status of 90 %. Expense for the six months ended December 31, 2010 amounted to \$3,140,000.

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 six months ended December 31, 2010 for CRSP-DC and CPP for clergy was approximately \$358,300.

**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 six months ended December 31, 2010 amounted to \$45,716.

**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 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 six months ended December 31, 2010 for clergy CRSP & CPP programs was approximately \$358,300.

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2010

**NOTE 9 – RETIREMENT/WELFARE PLANS - Continued**

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**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.

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 a valuation of its postretirement health benefits for the six months ending December 31, 2010. By not obtaining a valuation for the 2010 year, a liability cannot be computed, thus resulting in the inability to record such amount in the combined financial statements for the six months ending December 31, 2010. The effect on the 2010 statement of activities has not been determined.

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2010

**NOTE 10- NOTE PAYABLE AND LONG-TERM DEBT**

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Note payable at December 31, 2010, consisted of:

Note Payable to Bank, \$100,000 unsecured line of credit, bears interest at prime rate 3.25% at December 31, 2010.	<u>\$ 30,000</u>
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Long-term debt at December 31, 2010, 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, 2010), through October 2013; secured by certificates of deposit.	\$ 412,500
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Note Payable to Bank, due in monthly installments of \$493, including interest at 8.50%, through November 2011, secured by a truck	<u>5,204</u>
	<u>\$ 417,704</u>

Total combined note payable and long-term debt	<u>\$ 447,704</u>
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Annual principal future maturities at December 31, 2010 on long-term debt are as follows:

2011	\$ 155,204
2012	150,000
2013	<u>112,500</u>
Total	<u>\$ 417,704</u>

Interest expense of approximately \$10,000 was incurred for the six months ended December 31, 2010,

**NOTE 11 – COMMITMENTS**

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The Trustees guarantee loans for a few member churches. The guarantees in the amount of approximately \$2,700,000 are secured by the Trustees' assets.

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

December 31, 2010

**NOTE 12 – OPERATING LEASES**

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Beginning in January 2011 the Conference leases office space from one of its member churches under an operating lease expiring in December 2015. 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:

2011	\$	64,700
2012		76,600
2013		87,450
2014		108,200
2015		<u>108,200</u>
Total	\$	<u>445,150</u>

The Conference leases office equipment under operating leases which have initial terms ranging from three to five years. Rent expense for the six months ended December 31, 2010 amounted to approximately \$4,800. Future noncancelable lease payments under existing leases to the date of expiration are as follows:

2011	\$	9,670
2012		<u>3,454</u>
Total	\$	<u>13,124</u>

**UPPER NEW YORK ANNUAL CONFERENCE  
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**COMBINING STATEMENT OF ACTIVITIES**

Six Months Ended December 31, 2010

	General Funds	Investment Funds	Trustee Funds	GBOP Funds	Property Funds	3rd Party Funds	2010 Combined
<b>Revenues</b>							
Ministry Shares	\$ 4,969,206	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,969,206
Donations, Grants & Reimbursements	594,824	0	12,806	85	0	57,707	665,422
Direct Billed Benefits & Master Insurance Plan	0	0	783,421	7,547,469	0	0	8,330,890
Event Registration & Income	197,093	0	0	0	0	35,386	232,479
Camp & Retreat Revenue & Sales	746,584	0	0	0	0	45	746,629
Property Sales & Insurance Proceeds	(223,753)	0	778,252	0	0	0	554,499
Investment Income & Other	(114,552)	1,551,639	52,479	3,691,721	0	15,598	5,196,885
<b>Total Revenues</b>	<b>6,169,402</b>	<b>1,551,639</b>	<b>1,626,958</b>	<b>11,239,275</b>	<b>0</b>	<b>108,736</b>	<b>20,696,010</b>
<b>Expenses</b>							
General Church Ministry Support	860,287	0	0	0	0	0	860,287
Compensation- Salaries, Wages & Housing Allowances	1,751,732	0	966	0	0	13,502	1,766,200
Fringe Benefits- Health Insurance, Pension & Workers' Comp	427,546	0	28	7,103,602	0	2,262	7,533,438
Employment Costs- Training, Recruitment & Moving Expenses	54,337	0	0	0	0	0	54,337
Program, Grants & Discretionary Expenditures	1,224,094	0	35,297	0	0	116,101	1,375,492
Travel, Mileage & Hospitality	162,580	0	0	0	0	1,964	164,544
Professional Services	301,074	10,540	12,109	0	0	5,500	329,223
Supplies- Food, Program & Maintenance Costs	373,277	0	0	0	0	246	373,523
Fees & Services	33,795	0	0	0	0	0	33,795
Facilities & Equipment- Maintenance Costs	119,811	0	22,095	0	0	0	141,906
Master Insurance Plan Cost	65,813	0	1,110,722	0	0	0	1,176,535
Rent & Property Tax Expenses	172,432	0	9,756	0	0	0	182,188
Utilities & Communications	145,594	0	24,989	0	0	299	170,882
<b>Total Expenses</b>	<b>5,692,372</b>	<b>10,540</b>	<b>1,215,962</b>	<b>7,103,602</b>	<b>0</b>	<b>139,874</b>	<b>14,162,350</b>
Change in Net Assets - Increase (Decrease)	477,030	1,541,099	410,996	4,135,673	0	(31,138)	6,533,660
Net Assets - Beginning of Period	9,276,320	(1,381,114)	7,860,399	32,911,147	3,248,080	236,880	52,151,712
Net Assets - End of Period	\$ 9,753,350	\$ 159,985	\$ 8,271,395	\$ 37,046,820	\$ 3,248,080	\$ 205,742	\$ 58,685,372

See Independent Auditors' Report.