

UPPER NEW YORK ANNUAL
CONFERENCE OF THE UNITED
METHODIST CHURCH

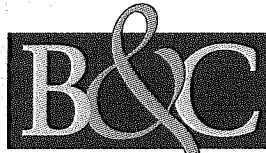
COMBINED FINANCIAL STATEMENTS

December 31, 2013 and 2012

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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, 2013 and 2012, 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates, made by management, as well as evaluating the overall presentation of the 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, 2013 or 2012. By not obtaining a valuation for the 2013 and 2012 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, 2013 and 2012. The effect on the 2013 and 2012 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 \$365,000 and \$368,000 for the years ended December 31, 2013 and 2012, 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 2013 and 2012 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 the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information on page twenty-four and twenty-five 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 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 as a whole.

Bowers & Company

Syracuse, New York
May 6, 2016

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

COMBINED STATEMENT OF ACTIVITIES - 2013

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
REVENUES AND SUPPORT				
Ministry Shares	\$ 8,215,848	\$ 0	\$ 0	\$ 8,215,848
Donations, Grants & Reimbursements	969,210	39,391	0	1,008,601
Direct Billed Benefits & Master Insurance Plan	11,718,515	0	0	11,718,515
Event Registration & Income	385,329	9,386	0	394,715
Camp & Retreat Revenue & Sales	2,180,973	0	0	2,180,973
Property Sales & Insurance Proceeds	443,966	0	0	443,966
Investment Income & Other	5,457,795	55,601	0	5,513,396
Interfund Transfers	(278,561)	278,561	0	0
Total Revenues and Support	<u>29,093,075</u>	<u>382,939</u>	<u>0</u>	<u>29,476,014</u>
EXPENSES				
General Church Ministry Support	954,619	0	0	954,619
Compensation- Salaries, Wages & Housing Allowances	4,273,780	0	0	4,273,780
Fringe Benefits- Health Insurance, Pension & Workers' Comp	12,482,206	0	0	12,482,206
Employment Costs- Training, Recruitment & Moving Expenses	198,633	0	0	198,633
Program, Grants & Discretionary Expenditures	2,470,371	59,741	0	2,530,112
Travel, Mileage & Hospitality	541,837	0	0	541,837
Professional Services	572,899	0	0	572,899
Supplies- Food, Program & Maintenance Costs	966,497	0	0	966,497
Fees & Services	277,136	0	0	277,136
Facilities & Equipment- Maintenance Costs	549,408	0	0	549,408
Master Insurance Plan Cost	3,171,375	0	0	3,171,375
Rent & Property Tax Expenses	327,199	0	0	327,199
Utilities & Communications	439,295	0	0	439,295
Total Expenses	<u>27,225,255</u>	<u>59,741</u>	<u>0</u>	<u>27,284,996</u>
Change in Net Assets - Increase	1,867,820	323,198	0	2,191,018
Net Assets, Beginning of Year	<u>44,804,872</u>	<u>11,310,360</u>	<u>1,357,586</u>	<u>57,472,818</u>
Net Assets, End of Year	<u>\$ 46,672,692</u>	<u>\$ 11,633,558</u>	<u>\$ 1,357,586</u>	<u>\$ 59,663,836</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	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 CASH FLOWS - 2013

Year Ended December 31, 2013

	2013
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 2,191,018
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Service in Lieu of Payments	(6,167)
Net Change in Operating Assets and Liabilities	
Church Loan Receivables	83,644
Other Receivables	(883,220)
Prepaid Expenses and Other Assets	388,454
Accounts Payable and Accrued Expenses	<u>(702,473)</u>
Net Cash Provided By Operating Activities	<u>1,071,256</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) Decrease in Investments - Net	(3,599,859)
(Increase) Decrease in Custodial Funds - Net	(20,603)
Purchase of Properties and Equipment	<u>(278,561)</u>
Net Cash Used In Investing Activities	<u>(3,899,023)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on Long Term Debt	<u>(124,776)</u>
Net Cash Used In Financing Activities	<u>(124,776)</u>
Net Decrease in Cash and Cash Equivalents	(2,952,543)
Cash and Cash Equivalents, Beginning of Year	<u>8,053,135</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,100,592</u></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

	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	<u>583,330</u>
Net Cash Used In 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**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2013 and 2012

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, 2013 and 2012

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, 2013 and 2012

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Receivables

Other receivables represent amounts collected in 2014 for 2013 and 2013 for 2012 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, 2013 and 2012 were \$1,705,803 and \$852,902, 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 is such that approximately \$365,000 and \$368,000 of depreciation expense and a corresponding reduction in net asset value of \$1,269,000 and \$904,000 has not been recorded at December 31, 2013 and 2012.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2013 and 2012

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, 2013 and May 6, 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, 2013 and 2012

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Statements of Cash Flows

Supplemental disclosures of cash flow information are as follows:

	2013	2012
Cash Paid During the Year For:		
Interest	\$ 2,494	\$ 8,783

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, 2013 and 2012

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, 2013 and 2012

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, 2013:

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 1,763,192	\$	\$	\$ 1,763,192
Certificates of Deposit	428,531			428,531
Mutual Funds	2,281,817			2,281,817
Stocks	5,562,196			5,562,196
Bonds	1,672,904			1,672,904
Fixed Rate Securities	282,094			282,094
Pooled Investment Fund		<u>31,766,734</u>		<u>31,766,734</u>
Total Assets at Fair Value	<u>\$ 11,990,734</u>	<u>\$ 31,766,734</u>	<u>\$ 0</u>	<u>\$ 43,757,468</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, 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 Fund		<u>29,139,326</u>		<u>29,139,326</u>
Total Assets at Fair Value	<u>\$ 10,997,681</u>	<u>\$ 29,139,326</u>	<u>\$ 0</u>	<u>\$ 40,137,007</u>

Investment return including interest, dividend, net realized and unrealized gains and losses for the years ended December 31, 2013 and 2012 was approximately \$5,509,000 and 4,453,000, respectively. At December 31, 2013 and 2012, allocations of investment earnings to the various net asset categories have not been calculated and posted accordingly.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 5 - PROPERTY AND EQUIPMENT

The following are carried as Fixed Assets in the statement of financial position of the Conference at December 31, 2013 and 2012, using the various methods for the four conferences as united in July 2010.

	2013	2012
Camps	\$ 9,965,084	\$ 9,965,084
Parsonages and Residence	1,251,013	972,452
Office Equipment	123,461	123,461
Conference Centers	976,217	976,217
	<u>12,315,775</u>	<u>12,037,214</u>
Less: Accumulated Depreciation (Through 6/30/10)	<u>(2,826,100)</u>	<u>(2,826,100)</u>
Total	<u>\$ 9,489,675</u>	<u>\$ 9,211,114</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, 2013 and 2012 the total church loan balances outstanding was \$202,313 and \$265,056, respectively. The Conference has recorded a reserve of \$22,500 for potential uncollectible church loans at December 31, 2013 and 2012.

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, 2013 and 2012 the total Bulson student loan balances outstanding was \$128,449 and \$137,017, 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 \$6,166 and \$9,189 was charged to the statement of activities for the years ended December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012, the total Seminary loan balances outstanding was \$6,997 and \$13,163, respectively.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2013 and 2012

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.

	2013	2012
Balances at Beginning of Year	\$ 1,244,021	\$ 1,203,060
Investment Income - Net	56,917	89,750
Paid to Designated Beneficiaries	<u>(36,314)</u>	<u>(48,789)</u>
Balances at December 31	<u>\$ 1,264,624</u>	<u>\$ 1,244,021</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.

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.

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2013 and 2012

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 2013:

Past Service Rate	<u>\$ 576</u>
Contingent Annuitant Percentage	<u>\$ 75%</u>

As of January 1, 2011, the valuation date for 2013 contributions, the Pre-1982 Plan had a funded status of 101%. Expense for the years ended December 31, 2013 and 2012 amounted to \$346,240 and \$254,034, 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. Expense for the years ended December 31, 2013 and 2012 amounted to \$0 and \$0.

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NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 9 – RETIREMENT/WELFARE PLANS - Continued

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, 2011, the valuation date for 2013 contributions, the CRSP-Defined Benefit plan had a funded status of 111%. Expense for the years ended December 31, 2013 and 2012 amounted to \$2,988,337 and \$3,215,399, 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. Expense for the years ended December 31, 2013 and 2012 for CRSP-DC for clergy amounted to \$677,473 and \$ 695,245, 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, 2013 and 2012 amounted to \$154,082 and \$135,388, 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.

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 expense for the years ended December 31, 2013 and 2012 for clergy CPP programs amounted to \$612,131 and \$ 0 (CPP Premium Holiday), respectively.

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

December 31, 2013 and 2012

NOTE 9 – RETIREMENT/WELFARE PLANS - Continued

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 an updated valuation of its postretirement health benefits for the years ending December 31, 2013 and 2012. By not obtaining an updated valuation for the 2013 or 2012 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, 2013 and 2012. The effect on the 2013 and 2012 statements of activities has not been determined.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 10- NOTE PAYABLE AND LONG-TERM DEBT

Note payable at December 31, 2013, consisted of:

	2013	2012
Note Payable to Bank, \$100,000 unsecured line of credit, bears interest at prime rate 3.25% at December 31, 2013. The line of credit was paid off in August 2014.	\$ 30,000	\$ 30,000

Long-term debt at December 31, 2013, 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>0</u>	<u>124,776</u>
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Total Combined Note Payable and Long-term Debt	<u>\$ 30,000</u>	<u>\$ 154,776</u>
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Annual principal future maturities at December 31 on long-term debt are as follows:

2014	<u>\$ 30,000</u>
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Interest expense of approximately \$2,500 and \$9,000 was incurred for the years ended December 31, 2013 and 2012, respectively,

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.

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

December 31, 2013 and 2012

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. Rent expense for the years ended December 31, 2013 and 2012 amounted to approximately \$87,450 and \$76,600, respectively. Future noncancelable lease payments under the office lease to the date of expiration are as follows:

2014	\$ 108,200
2015	108,200
2016	<u>90,167</u>
Total	<u>\$ 306,567</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, 2013 and 2012 amounted to approximately \$97,400 and \$89,100, 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, 2013 and 2012 amounted to approximately \$3,100 and \$8,250, respectively. Future noncancelable lease payments under existing leases to the date of expiration are as follows:

2014	<u>\$ 3,098</u>
Total	<u>\$ 3,098</u>

**UPPER NEW YORK ANNUAL CONFERENCE
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COMBINING STATEMENT OF ACTIVITIES - 2013

Year Ended December 31, 2013

	General Funds	Investment Funds	Trustee Funds	GBOPH Funds	3rd Party Funds	2013 Combined
Revenues						
Ministry Shares	\$ 8,215,848	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,215,848
Donations, Grants & Reimbursements	826,771	0	53,458	9,906	118,466	1,008,601
Direct Billed Benefits & Master Insurance Plan	(1,554)	0	3,059,054	8,661,015	0	11,718,515
Event Registration & Income	324,880	0	0	0	69,835	394,715
Camp & Retreat Revenue & Sales	2,179,279	0	0	0	1,694	2,180,973
Property Sales & Insurance Proceeds	19,674	0	424,292	0	0	443,966
Investment Income & Other	39,096	2,374,540	58,547	3,025,615	15,598	5,513,396
Interfund Transfers						
Total Revenues	11,603,994	2,374,540	3,595,351	11,696,536	205,593	29,476,014
Expenses						
General Church Ministry Support	954,619	0	0	0	0	954,619
Compensation- Salaries, Wages & Housing Allowances	4,241,381	0	0	0	32,399	4,273,780
Fringe Benefits- Health Insurance, Pension & Workers' Comp	1,347,542	0	0	11,132,051	2,613	12,482,206
Employment Costs- Training, Recruitment & Moving Expenses	198,333	0	300	0	0	198,633
Program, Grants & Discretionary Expenditures	2,333,304	0	103,466	0	93,342	2,530,112
Travel, Mileage & Hospitality	527,845	0	0	0	13,992	541,837
Professional Services	343,759	0	191,634	5,842	31,664	572,899
Supplies- Food, Program & Maintenance Costs	945,139	0	18,363	0	2,995	966,497
Fees & Services	277,136	0	0	0	0	277,136
Facilities & Equipment- Maintenance Costs	403,771	0	145,637	0	0	549,408
Master Insurance Plan Cost	132,593	0	3,038,782	0	0	3,171,375
Rent & Property Tax Expenses	294,036	0	33,163	0	0	327,199
Utilities & Communications	430,163	0	9,132	0	0	439,295
Total Expenses	12,429,621	0	3,540,477	11,137,893	177,005	27,284,996
Change in Net Assets - Increase (Decrease)	(825,627)	2,374,540	54,874	558,643	28,588	2,191,018
Net Assets - Beginning of Year	12,051,062	2,000,232	10,680,187	32,561,899	179,438	57,472,818
Net Assets - End of Year	\$ 11,225,435	\$ 4,374,772	\$ 10,735,061	\$ 33,120,542	\$ 208,026	\$ 59,663,836

See independent auditors' report.

**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	2,105,661	0	0	0	971	2,106,632
Property Sales & Insurance Proceeds	409,425	0	844,188	0	0	1,253,613
Investment Income & Other	59,264	1,660,625	171,909	2,697,806	14,265	4,603,869
Interfund Transfers		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.