

**2015 INDEPENDENT AUDITOR'S REPORTS FOR
GREATER NEW JERSEY ANNUAL CONFERENCE OF
THE UNITED METHODIST CHURCH**

Greater New Jersey Annual Conference

Centenary Fund and Preacher's Aid Society

Lambrides, Lamos, Moulthrop, LLP
Montclair, NJ

December 31, 2015

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2015

* * *

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

TABLE OF CONTENTS

| | |
|--|----|
| INDEPENDENT AUDITOR'S REPORT | 1. |
| FINANCIAL STATEMENTS: | |
| Unconsolidated Statement of Financial Position | 3. |
| Unconsolidated Statement of Activities | 4. |
| Unconsolidated Statement of Cash Flows | 5. |
| Notes to the Unconsolidated Financial Statements | 6. |



LAMBRIDES
ARNOLD, MOULTHROP LLP
CERTIFIED PUBLIC ACCOUNTANTS

26 Park St, Ste 301, Montclair, NJ 07042-3434
Tel 973-744-8660 • Fax 973-744-3437

Council on Finance and Administration
Greater New Jersey Annual Conference
of the United Methodist Church
Ocean, New Jersey 07712-4733

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Greater New Jersey Annual Conference of the United Methodist Church (the Conference), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater New Jersey Annual Conference of the United Methodist Church as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Conference's 2014 financial statements, and our report dated May 14, 2015, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lambides, Arnold, Moulthrop LLP

May 7, 2016

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2014

| | <u>2015</u> | <u>2014</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 901,774 | \$ 1,202,677 |
| Investments (Note 4) | 20,797,987 | 25,714,124 |
| Accounts receivable | 2,962,712 | 2,209,030 |
| Pledges Receivable (Note 3) | 1,130,501 | 1,274,194 |
| Loans receivable, net of allowance of \$171,353 - 2015 and \$292,373 - 2014 | 1,200,490 | 1,060,408 |
| Interest receivable | 20,384 | 18,195 |
| Due from Bishop's Office | 30,127 | 15,772 |
| Prepaid expenses | 840,923 | 168,235 |
| Property and equipment (Note 6) | 8,947,361 | 6,196,081 |
| Beneficial interest in perpetual trust | 350,534 | 254,542 |
| Total assets | <u>\$ 37,182,793</u> | <u>\$ 38,113,258</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 2,100,009 | \$ 1,799,668 |
| Due to A Future with Hope | 227,970 | 290,952 |
| Security deposit | 5,000 | 5,000 |
| Post-retirement employee benefit obligation (Note 12) | 49,555,111 | 51,687,699 |
| Total liabilities | <u>51,888,090</u> | <u>53,783,319</u> |
| Net Assets: | | |
| Unrestricted Net Assets | (17,612,744) | (18,560,471) |
| Temporarily restricted (Note 8) | 2,227,835 | 2,306,790 |
| Permanently restricted (Note 9) | 679,612 | 583,620 |
| Total net assets | <u>(14,705,297)</u> | <u>(15,670,061)</u> |
| Total liabilities and net assets | <u>\$ 37,182,793</u> | <u>\$ 38,113,258</u> |

See notes to the unconsolidated financial statements.

Exhibit A

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

UNCONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

| | TEMPORARILY | | PERMANENTLY | TOTAL | |
|--|-------------------------------|----------------------------|--------------------------|-------------------------------|-------------------------------|
| | <u>UNRESTRICTED</u> | <u>RESTRICTED</u> | <u>RESTRICTED</u> | <u>2015</u> | <u>2014</u> |
| Revenues, Gains, and Other Support: | | | | | |
| Disciplinary obligations | \$ 4,400,741 | | | \$ 4,400,741 | \$ 4,177,651 |
| World service benevolences | 3,120,846 | | | 3,120,846 | 2,847,503 |
| Other apportioned | 636,308 | | | 636,308 | 665,226 |
| Non apportioned | 580,538 | \$ 730,844 | | 1,311,382 | 1,669,481 |
| Change in value of perpetual trusts | | | | - | (2,760) |
| Investment income | 530,502 | 36,503 | \$ (17,713) | 549,292 | 1,711,388 |
| Other revenue | 2,542,143 | 1,098 | 113,705 | 2,656,946 | 6,715,515 |
| Net assets released from restriction (Note 7) | 847,400 | (847,400) | | - | - |
| Total revenues, gains, and other support | <u>12,658,478</u> | <u>(78,955)</u> | <u>95,992</u> | <u>12,675,515</u> | <u>17,784,004</u> |
| Expenses and Losses: | | | | | |
| Clergy support | 2,619,961 | | | 2,619,961 | 2,416,115 |
| Administrative expense | 2,787,703 | | | 2,787,703 | 2,754,723 |
| World service programs | 3,141,131 | | | 3,141,131 | 2,844,646 |
| Other apportioned funds | 646,950 | | | 646,950 | 662,667 |
| Other disbursements | 4,443,725 | | | 4,443,725 | 7,586,488 |
| Depreciation | 203,869 | | | 203,869 | 182,331 |
| Interest expense | | | | - | 22,099 |
| Total expenses and losses | <u>13,843,339</u> | <u>-</u> | <u>-</u> | <u>13,843,339</u> | <u>16,469,069</u> |
| Change in net assets before post-retirement benefit obligation gain (loss) | <u>(1,184,861)</u> | <u>(78,955)</u> | <u>95,992</u> | <u>(1,167,824)</u> | <u>1,314,935</u> |
| Post-retirement benefit obligation gain (Note 12) | <u>2,132,588</u> | | | <u>2,132,588</u> | <u>8,282,852</u> |
| Change in Net Assets | 947,727 | (78,955) | 95,992 | 964,764 | 9,597,787 |
| Net Assets at Beginning of Year | <u>(18,560,471)</u> | <u>2,306,790</u> | <u>583,620</u> | <u>(15,670,061)</u> | <u>(25,267,848)</u> |
| Net Assets at End of Year | <u><u>\$ (17,612,744)</u></u> | <u><u>\$ 2,227,835</u></u> | <u><u>\$ 679,612</u></u> | <u><u>\$ (14,705,297)</u></u> | <u><u>\$ (15,670,061)</u></u> |

See notes to the unconsolidated financial statements.

Exhibit B

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

| | <u>2015</u> | <u>2014</u> |
|---|--------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ 964,764 | \$ 9,597,787 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation expense | 267,384 | 182,331 |
| Realized gain on investments | (1,488,052) | (988,193) |
| Unrealized loss (gain) on investments | 1,747,689 | 406,532 |
| Change in value of perpetual trusts | 17,713 | 2,760 |
| Contributed beneficial interest in a perpetual trust | (113,705) | - |
| Recovery of prior bad debt expense | (115,144) | - |
| (Increase) decrease in: | | |
| Accounts receivable | (753,682) | (417,512) |
| Allowance for uncollectible loans | - | 86,706 |
| Pledges receivable | 143,693 | (122,905) |
| Interest receivable | (2,189) | 4,642 |
| Due from Bishop's office | (14,355) | (15,772) |
| Prepaid expenses | (672,688) | (107,045) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 300,341 | (715,657) |
| Due to A Future with Hope | (62,982) | 158,319 |
| Security deposit | - | (1,500) |
| Post-retirement benefits liability | (2,132,588) | (8,282,852) |
| Net cash used by operating activities | <u>(1,913,801)</u> | <u>(212,359)</u> |
| Cash Flows from Investing Activities: | | |
| Increase in loans receivable | 209,716 | (126,712) |
| Repayments of loans receivable | (234,654) | 419,445 |
| Purchase of investments | (14,298,261) | (14,971,652) |
| Proceeds from the sale of investments | 18,954,761 | 16,285,138 |
| Purchase of fixed assets | (3,018,664) | (1,825,165) |
| Net cash (used) provided by investing activities | <u>1,612,898</u> | <u>(218,946)</u> |
| Cash Flows from Financing Activities: | | |
| Payments on loans payable | - | (386,956) |
| Net cash used by financing activities | <u>-</u> | <u>(386,956)</u> |
| Net Decrease in Cash and Cash Equivalents | (300,903) | (818,261) |
| Cash and Cash Equivalents at Beginning of Year | <u>1,202,677</u> | <u>2,020,938</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 901,774</u> | <u>\$ 1,202,677</u> |
| Supplemental disclosure - interest paid | <u>\$ -</u> | <u>\$ 22,099</u> |

See notes to the unconsolidated financial statements.

Exhibit C

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. Organization:

Greater New Jersey Annual Conference of the United Methodist Church (the Conference) is an integral part of the General Conference of the United Methodist Church. Each member church in the Greater New Jersey Annual Conference supports the operating budget and, in addition, makes contributions or grants to the Conference's and General Conference's missions and programs. Investment revenue and program revenue also support the activities of the Conference.

The Conference is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies:

(a) *Basis of Accounting*

The financial statements of the Conference have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

(b) *Net Assets*

The net assets of the Conference and changes therein are classified and reported as follows:

Unrestricted net assets include all resources which are not subject to donor imposed restrictions of a more specific nature than those which only obligate the Conference to utilize funds in furtherance of its mission.

Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by the Conference which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Permanently restricted net assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be permanently retained. Generally, the donors of these funds permit the organization to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

(c) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and reported amounts of revenues and expenses in the financial statements and accompanying notes. Actual results could differ from these estimates.

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

2. Summary of Significant Accounting Policies: (continued)

(d) Prior-Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Conference's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

(e) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Conference considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(f) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair values based on quoted prices in active markets (national security exchanges) for identical assets, with gains and losses included in the statement of activities. Donated investments are reflected as contributions at their fair values at date of receipt.

(g) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

(h) Firm Pledges

Firm pledges are recognized as income in the year for which the pledge is made. Pledges that are expected to be received within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the year in which the pledges are received. Amortization of the discount is included in contribution revenue. The Conference uses the allowance method to determine uncollectible receivables. An allowance for uncollectible pledges is estimated based upon management's judgment and includes factors such as prior collection history.

Continued

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

2. Summary of Significant Accounting Policies: (continued)

(i) *Land, Buildings and Equipment*

Depreciable assets over \$5,000 are recorded at cost at date of acquisition or fair value at date of donation in the case of gifts. Depreciation is recorded on a straight-line basis over the estimated useful lives as follows:

| | |
|-----------------------------------|---------------|
| Buildings | 25 - 40 years |
| Equipment, furniture and fixtures | 4 - 10 years |

(j) *Post-retirement Benefits*

The Conference has adopted FASB ASC 715, Compensation – Retirement Benefits which requires that the funded status of defined benefit pensions and other postretirement benefit plans be fully recognized in the statement of financial position.

(k) *Reclassification*

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements.

3. Pledges Receivable:

All pledged commitments have been made for the Mission Campaign. Pledges are expected to be received as follows:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| In less than one year | \$ 1,507,335 | \$ 1,698,925 |
| Less: allowance for uncollectible pledges | <u>(376,834)</u> | <u>(424,731)</u> |
| Net pledges receivable | <u>\$ 1,130,501</u> | <u>\$ 1,274,194</u> |

Continued

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

4. Investments:

Investments at December 31, 2015 and 2014 consisted of the following:

| | <u>2015</u> | | <u>2014</u> | |
|------------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Money Markets | \$ 4,523,662 | \$ 4,523,662 | \$ 3,699,734 | \$ 3,699,734 |
| Certificate of Deposit | 77,632 | 77,632 | 87,632 | 87,632 |
| Equities | 19,200 | 8,460,195 | 8,189,437 | 10,461,418 |
| Fixed income | 6,146,549 | 6,005,952 | 7,969,704 | 7,962,620 |
| Real estate investment trust | 161,162 | 209,208 | 123,662 | 158,962 |
| Bryn Mawr Trust | | | 1,705,809 | 2,096,948 |
| General Board of Pensions | <u>992,918</u> | <u>1,521,338</u> | <u>613,592</u> | <u>1,246,810</u> |
| Total | <u>\$ 11,921,123</u> | <u>\$ 20,797,987</u> | <u>\$ 22,389,570</u> | <u>\$ 25,714,124</u> |

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2015:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------------------|---------------------|-------------------------------|-------------------------------|--------------------|
| Dividends and interest | \$ 754,713 | \$ 36,503 | | \$ 791,216 |
| Less investment fees | <u>(94,841)</u> | | | <u>(94,841)</u> |
| Investment income | <u>659,872</u> | <u>36,503</u> | | <u>696,375</u> |
| Realized gain | 1,488,053 | | | 1,488,053 |
| Unrealized loss | <u>(1,729,976)</u> | | <u>\$(17,713)</u> | <u>(1,747,689)</u> |
| Net gain on investments | <u>(241,923)</u> | - | <u>(17,713)</u> | <u>(259,636)</u> |
| Total investment return | <u>\$ 417,949</u> | <u>\$ 36,503</u> | <u>\$(17,713)</u> | <u>\$ 436,739</u> |

Investments as of December 31, 2015 are summarized below based on when they may be redeemed or sold:

| | <u>Fair Values</u> |
|-------|----------------------|
| Daily | <u>\$ 20,797,987</u> |

5. Fair Value Measurements:

The Conference reports its fair value measurements using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Continued

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

5. Fair Value Measurements: (continued)

The three levels as of the fair value hierarchy under GAAP are:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, inputs supported by little or no market activity)

Fair values of assets measured at December 31, 2015 are as follows:

| | <u>Totals</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|--|----------------------|---|--|--|
| <u>Recurring fair value measurements:</u> | | | | |
| Money market funds | \$ 4,523,662 | \$ 4,523,662 | | |
| Certificates of deposit | 77,632 | 77,632 | | |
| Equity securities: | | | | |
| U.S. Large Cap | 4,467,740 | 4,467,739 | | |
| U.S. Mid Cap | 999,055 | 999,055 | | |
| U.S. Small Cap | 550,560 | 550,560 | | |
| International Developed | 2,094,384 | 2,094,384 | | |
| Emerging Markets | 348,457 | 348,457 | | |
| Total | <u>8,460,196</u> | <u>8,460,195</u> | - | - |
| Fixed Income: | | | | |
| Investment Grade Taxable | 5,212,947 | 5,212,947 | | |
| International Developed Bonds | 262,142 | 262,142 | | |
| Global High Yield Taxable | 530,863 | 530,863 | | |
| Total | <u>6,005,952</u> | <u>6,005,952</u> | - | - |
| Real Estate Investment Trust: | | | | |
| Public REITs | 209,208 | 209,208 | | |
| Total | <u>209,208</u> | <u>209,208</u> | - | - |
| General Board of Pensions | 1,521,338 | 1,521,338 | | |
| Total investments | <u>20,797,988</u> | <u>20,797,987</u> | - | - |
| Beneficial interest in perpetual trust | 350,534 | | | \$ 350,534 |
| Total fair value measurements | <u>\$ 21,148,522</u> | <u>\$ 20,797,987</u> | <u>\$ -</u> | <u>\$ 350,534</u> |

Continued

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

5. Fair Value Measurements: (continued)

The following is a description of the valuation methodologies used for assets measured at fair value:

Equity securities and real estate investment trust: valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets (Level 1).

Fixed income: value based on a modeled bid evaluation pricing estimate for comparable instruments (Level 2).

Beneficial interest in perpetual trusts: the Conference considers the measurement of its beneficial interest in the trusts to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the trust assets reported by the trustee, the Conference will never receive those assets or have the ability to direct the trustee to redeem them (Level 3).

| | <u>Level 3</u> |
|--|-------------------|
| Fair value at the beginning of the year | \$ 254,542 |
| Contribution of beneficial interest in a perpetual trust | 113,705 |
| Unrealized loss | <u>(17,713)</u> |
| Total fair value at the end of the year | <u>\$ 350,534</u> |

6. Property and Equipment:

Details of property and equipment are as follows:

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net</u> |
|---------------------------------|----------------------|-------------------------------------|---------------------|
| Land | \$ 1,400,368 | | \$ 1,400,368 |
| Buildings | 5,029,344 | \$(2,008,045) | 3,021,299 |
| Leasehold improvements | 149,577 | \$ (7,479) | 142,098 |
| Computer equipment and software | 116,870 | (52,404) | 64,466 |
| Furniture and fixtures | 26,506 | (26,506) | - |
| Construction in progress | <u>4,319,130</u> | | <u>4,319,130</u> |
| Total | <u>\$ 11,041,795</u> | <u>\$ (2,094,434)</u> | <u>\$ 8,947,361</u> |

The Conference holds title to properties, with the intent to sell, that are no longer being used by the local churches. No value has been included for these properties on the Conference's statement of financial position since there is no cost basis related to these properties that have been incurred by the Conference. The appraised value of these properties does not generally reflect the actual amount that can be reasonably expected from their sale.

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

7. Net Assets Released from Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|---------------------|
| Churches within the Conference | \$ 66,463 | \$ 247,903 |
| Scholarships | 33,363 | 34,261 |
| Bright Spots | 2,606 | - |
| Missional programs, church growth, and church construction | 744,968 | 1,121,600 |
| Total net assets released from restrictions | <u>\$ 847,400</u> | <u>\$ 1,403,764</u> |

8. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

| | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|
| Missional programs, church growth, and/or church construction | \$1,565,530 | \$1,672,252 |
| Various scholarships for education | 351,800 | 350,317 |
| Retired preachers, ill or in need | 131,255 | 125,005 |
| Specific United Methodist Churches within the Conference | 69,903 | 60,866 |
| Mission concerns of the Northeast District | 97,715 | 94,957 |
| Benevolence to United Methodist Women | 3,336 | 2,701 |
| Bright Spots | 7,394 | - |
| Clergy assistance | 902 | 692 |
| Total temporarily restricted net assets | <u>\$2,227,835</u> | <u>\$2,306,790</u> |

Continued

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

9. Permanently Restricted Net Assets:

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Various scholarships for education | \$ 338,047 | \$ 338,047 |
| Old and needy women of the Methodist Episcopal denomination | 10,000 | 10,000 |
| Pension and health benefits of retired clergy | 5,000 | 5,000 |
| Clergy assistance | 3,500 | 3,500 |
| Missional programs, church growth and/or church construction | 236,485 | 130,839 |
| Missions in North East New Jersey | <u>86,580</u> | <u>96,234</u> |
| Total permanently restricted net assets | <u>\$ 679,612</u> | <u>\$ 583,620</u> |

10. Conference Board of Pensions:

Effective January 1, 2007, the Conference adopted the Clergy Retirement Security Program which had been established by the General Conference of the United Methodist Church. This plan supersedes and replaces the provisions of the prior plans. The church contribution rate under the Clergy Retirement Security Program is 12.50% of the active participant's plan compensation for a plan year. The 2015 church contribution rates under the Comprehensive Protection Plan are 3% for full-time clergy, 3.4% for less-than-full-time (3/4 and 1/2 time), and 4.4% for optional coverage (1/4 time or leave status.)

Under the provisions of the plans, the Conference is required to maintain an amount in its Deposit Account sufficient to provide for the monthly transfer of the church contributions on behalf of its active participants.

11. Defined Contribution Plan:

Effective January 1, 1975, the Conference adopted a contributory pension plan for lay employees, covering all full-time employees electing to participate. Under this plan the Conference will contribute 6% of each participant's annual salary, and the participants will contribute an additional 3% of all past earnings of eligible employees.

12. Post-Retirement Benefit Obligation:

The Conference's post-retirement health care benefit plan provides health insurance coverage to employees with 20 years of service who retire directly from active service at or after the age of 62. Married employees eligible for the plan will also have coverage for their spouse. Upon an eligible retiree's death, spousal coverage continues for the spouse's lifetime.

Continued

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

12. Post-Retirement Benefit Obligation: (continued)

Effective July 1, 2002 a person becoming an annuitant after July 1, 2002 with less than 20 years of annuity credit in the United Methodist Church at retirement shall share in the cost of the premium. The annuitant's share shall be 5% times the number of full years by which the annuity credit is less than 20.

Effective July 1, 2003 for an annuitant under the age of 65 commencing benefits after July 1, 2003, the Conference shall contribute an amount equal to the coverage cost of a Medicare-eligible annuitant, prorated for service years less than 20.

Obligations and Funded Status

| | 2015 | 2014 |
|---|-----------------------|-----------------------|
| | <u>(In Thousands)</u> | <u>(In Thousands)</u> |
| Benefit obligations | \$ (49,555) | \$ (51,688) |
| Plan assets at fair value | - | - |
| Funded status | <u>\$ (49,555)</u> | <u>\$ (51,688)</u> |
| Employer contributions | \$ 2,238 | \$ 2,969 |
| Medicare Part D Subsidy | - | 178 |
| Benefit paid | <u>(2,238)</u> | <u>(3,147)</u> |
| | <u>\$ -</u> | <u>\$ -</u> |
| Amounts recognized in the statement of financial position consist of: | | |
| Current liabilities | \$ (2,090) | \$ (2,012) |
| Non-current liabilities | <u>(47,465)</u> | <u>(49,676)</u> |
| | <u>\$ (49,555)</u> | <u>\$ (51,688)</u> |
| Amounts recognized in the statement of activities consist of: | | |
| Service cost | \$ 1,269 | \$ 1,375 |
| Interest cost | 2,154 | 2,933 |
| Actuarial gain/loss | (3,318) | (9,622) |
| Medicare Part D Subsidy | - | 178 |
| Benefits paid | <u>(2,238)</u> | <u>(3,147)</u> |
| | <u>\$ (2,133)</u> | <u>\$ (8,283)</u> |

Items not yet recognized as a component of net periodic pensions costs

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| | <u>(In Thousands)</u> | <u>(In Thousands)</u> |
| Transition obligation | \$ - | \$ 9 |
| Net actuarial loss | <u>(6,724)</u> | <u>(3,407)</u> |
| Total not yet recognized as a component of net periodic pension cost | <u>\$ (6,724)</u> | <u>\$ (3,398)</u> |

Continued

**GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015**

12. Post-Retirement Benefit Obligation: (continued)

The transition obligation and net actuarial loss for the post-retirement benefit plan that will be amortized from changes in unrestricted net assets into net periodic benefit cost over the next fiscal year are (in thousands) \$9 and \$0, respectively.

The following assumptions were used in accounting for the plan:

Weighted-average assumption to determine benefit cost and benefit obligation at December 31, 2015:

| | |
|---|-----------------------------|
| Discount rate | 4.25% |
| Assumed Health Care Cost Trends Rates: | |
| Health care cost trend rate assumed for next year | Pre 65-7.5% / Post 65-8.91% |
| Ultimate trend rate | 5% |
| Year that the ultimate rate is reached | 2024 |

There are no plan assets at December 31, 2015.

The following benefits are expected to be paid:

| | <u>(In Thousands)</u> |
|-----------|-----------------------|
| 2016 | 2,090 |
| 2017 | 2,283 |
| 2018 | 2,456 |
| 2019 | 2,610 |
| 2020 | 2,721 |
| 2021-2025 | 15,220 |

13. Concentration of Credit Risk:

The Conference maintains cash balance at TD Bank in excess of the \$250,000 FDIC insured limits. The Conference's uninsured cash balances totaled \$2,103,285 as of December 31, 2015.

14. Reimbursed Expenditures:

The Conference administers a comprehensive insurance plan, a health insurance plan and a pension and disability fund for all United Methodist churches affiliated with the Conference. The Conference invoices the churches to obtain reimbursement for the cost of insurance, pension, and disability plan payments made on behalf of the churches.

Continued

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

14. Reimbursed Expenditures: (continued)

For the year ended December 31, 2015 the following amounts were collected and disbursed by the Conference for each respective benefit plan:

| | Pension and Disability Plan | Health Insurance | Comprehensive Insurance Plan | Total |
|--------------|-----------------------------------|-----------------------|------------------------------------|-----------------------|
| Collected | \$ 3,234,249 | \$ 12,840,619 | \$ 3,579,048 | \$ 19,653,916 |
| Disbursed | <u>(3,508,663)</u> | <u>(14,351,214)</u> | <u>(3,941,941)</u> | <u>(21,801,818)</u> |
| Net Activity | <u>\$ (274,414)</u> | <u>\$ (1,510,595)</u> | <u>\$ (362,893)</u> | <u>\$ (2,147,902)</u> |

15. Endowment:

The Conference's endowment consists of approximately 14 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Council on Finance and Administration to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Council on Finance and Administration to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Relevant Law

The Council on Finance and Administration of the Conference has interpreted the New Jersey State's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Conference classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Conference considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Continued

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

15. **Endowment:** (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2015:

| | Temporarily <u>Restricted</u> | Permanently <u>Restricted</u> | <u>Total</u> |
|------------------------------|----------------------------------|----------------------------------|-------------------|
| Opening endowment assets | \$ 279,305 | \$ 583,620 | \$ 862,925 |
| Contributions | | 113,705 | 113,705 |
| Interest and dividends | 25,954 | | 25,954 |
| Net appreciation | | (17,713) | (17,713) |
| Appropriated for expenditure | <u>(9,244)</u> | | <u>(9,244)</u> |
| Closing endowment assets | <u>\$ 296,015</u> | <u>\$ 679,612</u> | <u>\$ 975,627</u> |

Return Objectives and Risk Parameters

The Conference has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Council on Finance and Administration, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Conference expects its endowment funds, over time, to provide an average rate of return of approximately 6.5 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Conference relies on a total return strategy in which investments returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Conference targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Conference has a policy of appropriating for expenditure 5% of the average fair value of each respective endowment. The Organization expects the current spending policy to allow its endowment funds to grow at a minimal average rate of 5% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Continued

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

16. Expense Allocation:

Expenses are charged to program and supporting services on the basis on periodic time and expense studies. Allocation of expenses for the year ending December 31, 2015 and 2014, is as follows:

| | <u>2015</u> | <u>2014</u> |
|------------------------|----------------------|----------------------|
| Program services | \$ 11,055,636 | \$ 10,626,414 |
| Management and general | <u>2,787,703</u> | <u>2,776,822</u> |
| Total expenses | <u>\$ 13,843,339</u> | <u>\$ 13,403,236</u> |

17. Income Taxes:

The Conference is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and application state law.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Conference may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Conference and various position related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2015 and 2014.

The Conference is not required to file a federal form 990 because it is an integrated auxiliary of a church. Therefore, the Conference has voluntarily elected not to file a federal form 990 since its inception and for that reason; the statute of limitations has not started to expire for IRS examination of income tax issues.

18. Related Parties:

The Conference provides administrative services to various related organizations. The payments received and in-kind services provided in 2015 are as follows:

| | |
|---|-------------------|
| A Future With Hope | \$ 104,907 |
| The Centenary Fund and Preachers' Aid Society | <u>6,865</u> |
| Total administrative fees | <u>\$ 111,772</u> |

Continued

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

18. Related Parties: (continued)

Due to the reorganization of the Greater NJ United Methodist Camping Ministries, the Conference waived its administrative fees from that program for 2015.

The Centenary Fund provides annual support to a Conference's program which serves the needs of retired clergy, widows and dependent children of deceased clergy. The amount received in 2015 is \$513,591.

The Conference collects contributions from local churches and individuals which are designated for A Future with Hope and The Centenary Fund. The amounts remitted to related organization in 2015 are as follows:

| | |
|---|-------------------|
| A Future With Hope | \$ 478,292 |
| The Centenary Fund and Preachers' Aid Society | <u>7,723</u> |
| | <u>\$ 486,015</u> |

At December 31, 2015, the Conference had the following related party accounts receivable and payable:

Accounts receivable:

| | |
|--|------------------|
| Greater NJ United Methodist Camping Ministries | <u>60,000</u> |
| | <u>\$ 60,000</u> |

Accounts payable:

| | |
|--------------------------|-------------------|
| A Future With Hope | \$ 227,970 |
| UMC - Imagine No Malaria | <u>61,067</u> |
| | <u>\$ 289,037</u> |

19. Environmental Remediation Loss Contingency

The Conference has been notified that a church property has an underground oil tank that has leaked into the surrounding area. Although a loss is probable, it is not possible to reasonably estimate the amount of any obligation for remediation that would be material to the Organization's financial statements at December 31, 2015.

20. Subsequent Events:

In preparing these financial statements, the Conference has evaluated events and transactions for potential recognition or disclosure through May 7, 2016, the date the financial statements were available to be issued.

Concluded

THE CENTENARY FUND AND
PREACHERS' AID SOCIETY
OF THE
GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2015

THE CENTENARY FUND AND PREACHERS' AID SOCIETY
OF THE GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

TABLE OF CONTENTS

| | |
|-------------------------------------|-----------|
| INDEPENDENT AUDITOR'S REPORT | 1. |
| FINANCIAL STATEMENTS: | |
| Statement of Financial Position | 3. |
| Statement of Activities | 4. |
| Statement of Cash Flows | 5. |
| Notes to the Financial Statements | 6. |



The Centenary Fund and Preachers' Aid Society
of the Greater New Jersey Annual Conference of the
United Methodist Church

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of The Centenary Fund and Preachers' Aid Society of the Greater New Jersey Annual Conference of the United Methodist Church (the Fund) which comprise the statement of financial position as of December 31, 2015, and the related statements of activity and cash flows, for the year then ended, and the related notes to the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Centenary Fund and Preachers' Aid Society of the Greater New Jersey Annual Conference of the United Methodist Church as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Fund's 2014 financial statements, and our report April 7, 2015, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lambides, Arnold, Malthrop LLP

April 27, 2016

THE CENTENARY FUND AND PREACHERS' AID SOCIETY
OF THE GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2014

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 28,755 | \$ 30,248 |
| Accrued income receivable | 13,019 | 14,354 |
| Investments | 10,316,635 | 10,885,447 |
| Bristol Glen deposits | - | 80,000 |
| Total assets | <u>\$10,358,409</u> | <u>\$11,010,049</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | \$ 4,000 | \$ 11,472 |
| Total liabilities | <u>4,000</u> | <u>11,472</u> |
| Net Assets - Unrestricted: | | |
| Donation base | 6,242,003 | 6,209,337 |
| Distribution fund | 4,112,406 | 4,789,240 |
| Total net assets | <u>10,354,409</u> | <u>10,998,577</u> |
| Total liabilities and net assets | <u>\$10,358,409</u> | <u>\$11,010,049</u> |

See notes to the financial statements.

Exhibit A

THE CENTENARY FUND AND PREACHERS' AID SOCIETY
OF THE GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

STATEMENT OF ACTIVITIES - UNRESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

| | DONATION | DISTRIBUTION | TOTAL | |
|--|---------------------|---------------------|----------------------|----------------------|
| | <u>BASE</u> | <u>FUND</u> | <u>2015</u> | <u>2014</u> |
| Support and Revenue: | | | | |
| Contributions | \$ 32,666 | | \$ 32,666 | \$ 62,782 |
| Interest and dividends | | \$ 238,270 | 238,270 | 277,112 |
| Investment gains | | (293,664) | (293,664) | 220,222 |
| Total support and revenue | <u>32,666</u> | <u>(55,394)</u> | <u>(22,728)</u> | <u>560,116</u> |
| Expenses: | | | | |
| Program services: | | | | |
| Health insurance support | | 539,271 | 539,271 | 513,591 |
| Total program services | <u>-</u> | <u>539,271</u> | <u>539,271</u> | <u>513,591</u> |
| Supporting Services: | | | | |
| Development | | 12,000 | 12,000 | 8,250 |
| Insurance | | 2,847 | 2,847 | 1,488 |
| Investment Management Fees | | 55,478 | 55,478 | 51,086 |
| Miscellaneous | | - | - | 419 |
| Postage | | 338 | 338 | 818 |
| Printing | | 1,027 | 1,027 | 5,199 |
| Professional fees | | 10,479 | 10,479 | 9,920 |
| Total supporting services | | <u>82,169</u> | <u>82,169</u> | <u>77,180</u> |
| Total expenses | <u>-</u> | <u>621,440</u> | <u>621,440</u> | <u>590,771</u> |
| Change in Net Assets | 32,666 | (676,834) | (644,168) | (30,655) |
| Net Assets at Beginning of Year | <u>6,209,337</u> | <u>4,789,240</u> | <u>10,998,577</u> | <u>11,029,232</u> |
| Net Assets at End of Year | <u>\$ 6,242,003</u> | <u>\$ 4,112,406</u> | <u>\$ 10,354,409</u> | <u>\$ 10,998,577</u> |

See notes to the financial statements.

Exhibit B

THE CENTENARY FUND AND PREACHERS' AID SOCIETY
OF THE GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

| | <u>2015</u> | <u>2014</u> |
|---|--------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ (644,169) | \$ (30,655) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Realized gain on investments | (220,965) | (692,018) |
| Unrealized loss on investments | 514,630 | 471,796 |
| Decrease (increase) in: | | |
| Accrued income receivable | 1,335 | (327) |
| Accounts receivable | 80,000 | - |
| (Decrease) increase in: | | |
| Accounts payable | (7,471) | 4,113 |
| Net cash used by operating activities | <u>(276,640)</u> | <u>(247,091)</u> |
| Cash Flows from Investing Activities: | | |
| Proceeds from the sale of investments | 4,295,175 | 15,977,227 |
| Purchase of investments | <u>(4,020,028)</u> | <u>(15,724,331)</u> |
| Net cash provided by investing activities | <u>275,147</u> | <u>252,896</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,493) | 5,805 |
| Cash and Cash Equivalents at Beginning of Year | <u>30,248</u> | <u>24,443</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 28,755</u> | <u>\$ 30,248</u> |

See notes to the financial statements.

Exhibit C

THE CENTENARY FUND AND PREACHERS' AID SOCIETY
OF THE GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. Organization, Contributions and Benefits:

The Centenary Fund and Preachers' Aid Society of the Greater New Jersey Annual Conference of the United Methodist Church (the Fund) was founded to serve the needs of retired clergy, widows and dependent children of deceased clergy. The Fund is exempt from income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

2. Summary of significant Accounting Policies:

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Accrual Basis Financial Statements

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America and in accordance with the principles of not-for-profit accounting.

(b) Net Assets

The net assets of the Fund and changes therein are classified and reported as follows:

- Unrestricted net assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Fund to utilize funds in furtherance of its mission.
- Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by the Fund which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Permanently restricted net assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be permanently retained. Generally, the donors of these funds permit the organization to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

(c) Prior-Year summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Continued

THE CENTENARY FUND AND PREACHERS' AID SOCIETY
OF THE GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

2. Summary of significant Accounting Policies: (continued)

(d) Contributions

Contributions are recorded as revenue upon receipt of cash or unconditional promises to give (pledges). Contributions are considered available for unrestricted use unless specifically restricted by the donor.

(e) Cash and Cash Equivalents

Cash includes checking, savings and money market accounts. Certificates of deposit with maturity of three months or less when purchased are considered to be cash equivalents. Money market funds held by brokers for investment purposes are classified as investments.

(f) Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted prices in active markets (national securities exchanges) for identical assets, with gains and losses included in the statement of activities. Donated investments are reflected as contributions at their fair value at date of receipt.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from their estimates.

3. Investments:

The components of investment gains and losses for the year ended December 31, 2015 is as follows:

| | |
|-------------------|---------------------|
| Realized gains | \$ 220,965 |
| Unrealized losses | <u>(514,629)</u> |
| | <u>\$ (293,664)</u> |

Continued

THE CENTENARY FUND AND PREACHERS' AID SOCIETY
OF THE GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

4. Fair Value Measurements

The Fund reports its fair value measurements using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under GAAP are:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, inputs supported by little or no market activity).

| | <u>Fair Value</u> | <u>Hierarchy</u> |
|---------------------------|----------------------|------------------|
| Cash and cash equivalents | \$ 326,616 | Level 1 |
| Equities: | | |
| U.S. Large Cap | 3,101,533 | Level 1 |
| U.S. Mid Cap | 843,895 | Level 1 |
| U.S. Small Cap | 304,328 | Level 1 |
| International Developed | 238,819 | Level 1 |
| Emerging Markets | 33,018 | Level 1 |
| Total Equities | <u>4,521,593</u> | |
| Mutual Funds: | | |
| Equities: | | |
| Internal Developed | 825,401 | Level 1 |
| Emerging Markets | 204,839 | Level 1 |
| Fixed Income: | | |
| Investment Grade | 3,615,902 | Level 1 |
| Global High Yield | 349,237 | Level 1 |
| Real Estate | 340,989 | Level 1 |
| Commodities | 132,058 | Level 1 |
| Total mutual funds | <u>5,468,426</u> | |
| Total investments | <u>\$ 10,316,635</u> | |

Continued

THE CENTENARY FUND AND PREACHERS' AID SOCIETY
OF THE GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

5. Bristol Glen Deposit:

In a prior year, the Fund has provided a refundable capital deposit in the Bristol Glen retirement home for one retired clergy. During the year ended December 31, 2015, the deposit was returned to the Fund.

6. Unrestricted Net Assets:

(a) *Donation Base*

Donation base net assets represent the cumulative balance of gifts made to the Fund designated for long-term investment.

(b) *Distribution Fund:*

Distribution fund net assets represent the cumulative investment return net of the Fund's expenses. Distribution fund net assets are expendable for the Fund's charitable purpose.

7. Related Parties:

Administrative services are provided by the Greater New Jersey Annual Conference of the United Methodist Church.

8. Cash Flow Information:

No liabilities for income taxes or interest expense were incurred or paid for the year ended December 31, 2015.

9. Income Taxes:

The Fund is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the fund may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Fund and various position related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2015 and 2014.

The Fund has not filed IRS Form 990 in recent years since its inception because it is exempt from filing as an integrated auxiliary of a church. Therefore, the statute of limitations has not started to expire for IRS examination of income tax issues.

Continued

THE CENTENARY FUND AND PREACHERS' AID SOCIETY
OF THE GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

10. Subsequent Events:

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through April 27, 2016, the date the financial statements were available to be issued.

Concluded