XIV. 2008 INDEPENDENT AUDITOR'S REPORTS

Greater New Jersey Annual Conference

Centenary Fund and Preachers' Aid Society

United Methodist Foundation

Lambrides, Lamos, Moulthrop, LLP
Montclair, NJ

Table of Contents

GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2008

* * *

Table of Contents

GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 1.

FINANCIAL STATEMENTS:

Statement of Financial Position 2.

Statement of Activities 3.

Statement of Cash Flows 4.

Notes to the Financial Statements 5.

LAMBRIDES
ARNOLD, MOULTHROP LLP
CERTIFIED PUBLIC ACCOUNTANTS

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 statement of financial position of the Greater New Jersey Annual Conference of the United Methodist Church (the Conference) as of December 31, 2008 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Conference's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Conference's December 31, 2007 financial statements and, in our report dated April 4, 2008 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conference's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2008, 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.

Lambrides, Arnold, Moulthrop, LLP

April 29, 2009

26 Park Street, Montclair, NJ 07042-3434 • Tel 973·744·8660 • Fax 973·744·3437

Table of Contents

GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 5,607,081	$ 5,428,483
Investments (Note 3)	11,639,259	15,355,238
Accounts receivable	48,995	481,995
Loans receivable, net of allowance of $314,665 - 2008 and $312,049 - 2007	1,814,499	1,567,555
Interest receivable	1,066	-
Education Society scholarship advances	41,205	-
Prepaid expenses	124,609	49,642
Property and equipment (Note 4)	3,751,619	2,776,233
Beneficial interest in perpetual trust	231,407	328,467
Total assets	$ 23,259,740	$ 25,987,613
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expense	$ 1,203,713	$ 1,253,454
Security deposit	162,500	-
Refundable grant payable	204,081	98,756
Grants payable	-	92,724
Mortgage payable (Note 5)	725,134	780,825
Post-retirement employee benefit obligation (Note 11)	47,570,000	48,084,000
Total liabilities	49,865,428	50,309,759
Net Assets:		
Unrestricted	(27,935,789)	(25,360,413)
Temporarily restricted (Note 7)	890,750	502,856
Permanently restricted (Note 8)	439,351	535,411
Total net assets	(26,605,688)	(24,322,146)
Total liabilities and net assets	$ 23,259,740	$ 25,987,613

See notes to the financial statements.

Exhibit A

Table of Contents

GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL 2008	TOTAL 2007
Revenues, Gains, and Other Support:					
Disciplinary obligations	$ 3,418,463			$ 3,418,463	$ 3,426,857
World service benevolences	3,154,776			3,154,776	3,179,120
Other apportioned	731,409			731,409	739,798
Non apportioned	1,242,311	$ 203,121	$ 1,000	1,446,432	843,958
Change in value of perpetual trusts			(97,060)	(97,060)	5,574
Net gain (loss) on investments	(3,964,311)			(3,964,311)	440,228
Investment income	261,360	34,983		296,343	390,876
Other revenue	4,889,302	277,383		5,166,685	4,987,797
Gain on sale of real estate	1,185,778			1,185,778	2,059,095
Net assets released from restriction	127,593	(127,593)		-	-
Total revenues, gains, and other support	11,046,681	387,894	(96,060)	11,338,515	16,073,303
Expenses:					
Clergy support	2,164,094			2,164,094	2,150,458
Administrative expense	2,104,484			2,104,484	1,966,305
World service programs	3,113,587			3,113,587	3,046,839
Other apportioned funds	710,687			710,687	728,982
Other disbursements	5,898,281			5,898,281	5,332,740
Post-retirement benefit obligation	3,219,676			3,219,676	3,193,500
Depreciation	111,395			111,395	88,212
Interest expense	48,853			48,853	50,722
Loss on disposal of church property	-			-	164,190
Total expenses and losses	17,371,057	-	-	17,371,057	16,721,948
Change in net assets before effect of adoption of FASB Statement No. 158	(6,324,376)	387,894	(96,060)	(6,032,542)	(648,645)
Effect of adoption of recognition provisions of FASB Statement No. 158	3,749,000			3,749,000	- (15,102,000)
Change in Net Assets	(2,575,376)	387,894	(96,060)	(2,283,542)	(15,750,645)
Net Assets at Beginning of Year	(25,360,413)	502,856	535,411	(24,322,146)	(8,571,501)
Net Assets at End of Year	$ (27,935,789)	$ 890,750	$ 439,351	$ (26,605,688)	$ (24,322,146)

See notes to the financial statements.

Exhibit B

Table of Contents

GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

	2008	2007
Cash Flows from Operating Activities:		
Change in net assets	$ (2,283,542)	$ (15,750,645)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	111,395	88,212
Realized (gain) loss on investments	81,798	(378,818)
Unrealized (gain) (loss) on investments	3,979,573	(66,984)
Net increase (decrease) in allowance for uncollectible loans	2,616	(36,713)
Loss on disposal of fixed assets	-	164,190
Decrease (increase) in accounts receivable	433,000	(62,598)
(Increase) decrease in prepaid expenses	(74,967)	47,986
(Increase) decrease in interest receivable	(1,066)	5,321
(Increase) decrease in Education Society scholarship advances	(41,205)	550,000
Increase (decrease) in security deposit	162,500	(3,890)
Increase in grants payable	12,600	92,724
Decrease in accounts payable and accrued expenses	(49,739)	(247,161)
(Decrease) increase in post-retirement benefit liability	(514,000)	18,295,500
Net cash provided by operating activities	1,818,963	2,697,124
Cash Flows from Investing Activities:		
Increase in loans receivable	(451,667)	(1,066,860)
Repayments of loans receivable	202,107	216,116
Purchase of investments	(15,509,091)	(13,773,394)
Proceeds from the sale of investments	15,260,759	12,770,720
Purchase of fixed assets	(1,086,781)	(158,736)
Net cash used by investing activities	(1,584,673)	(2,012,154)
Cash Flows from Financing Activities:		
Payments on loans payable	(55,692)	(45,111)
Net cash used by financing activities	(55,692)	(45,111)
Net Increase in Cash and Cash Equivalents	178,598	639,859
Cash and Cash Equivalents at Beginning of Year	5,428,483	4,788,624
Cash and Cash Equivalents at End of Year	$ 5,607,081	$ 5,428,483
Supplemental disclosure - interest paid	$ 48,853	$ 50,722

See notes to the financial statements.

Exhibit C

Table of Contents

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) *Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Conference is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(c) *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

(d) *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.

(e) *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.

Continued

2. **Summary of Significant Accounting Policies:** (Continued)

(f) *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, 2007, from which the summarized information was derived.

(g) *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	30 - 40 years
Equipment, furniture and fixtures	5 - 10 years

(h) *Restricted and Unrestricted Revenue and Support*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

(i) *Permanently Restricted Net Assets*

Permanently restricted net assets consist of contributions received subject to the restriction that principal be retained in perpetuity, and that only income and gains on invested assets be utilized.

(j) *Post-retirement Benefits*

The Conference has adopted Statement of Financial Accounting Standards No. 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans – An amendment of FASB Statements No. 87, 88, 106, and 132R,* which requires that the funded status of defined benefit pensions and other postretirement benefit plans be fully recognized in the statement of financial position.

Continued

3. Investments:

Investments at December 31, 2008 consisted of the following:

	Cost	Fair Value
Money Markets	$ 960,816	$ 960,816
Certificate of Deposit	125,702	125,702
Mutual Funds	4,096,209	3,825,150
Common Stock	5,537,823	3,771,817
Greater New Jersey Foundation Common Fund	1,593,309	1,374,830
General Board of Pensions	1,440,698	1,580,944
Total	$13,754,557	$11,639,259

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	$ 316,664	$ 34,983		$ 351,647
Less investment fees	(55,304)			(55,304)
Investment income	261,360	34,983		296,343
Realized gain	(81,798)			(81,798)
Unrealized gain	(3,882,513)		$ (97,060)	(3,979,573)
Net loss on investments	(3,964,311)	-	(97,060)	(4,061,371)
Total investment return	$(3,702,951)	$ 34,983	$ (97,060)	$(3,765,028)

4. Property and Equipment:

Details of property and equipment are as follows:

	Cost	Accumulated Depreciation	Net
Land	$1,354,254		$1,354,254
Buildings	3,555,510	$(1,170,798)	2,384,712
Computer equipment and software	34,695	(30,681)	4,014
Furniture and fixtures	26,506	(17,867)	8,639
Total	$4,970,965	$(1,219,346)	$3,751,619

Continued

5. Mortgage Payable:

Mortgage payable to United Methodist Development Fund in monthly installments of $8,712 including interest at 6.5% per annum, due March 2018, collateralized by property. Interest expense for 2008 on the mortgage payable was $48,853.

Principal maturities are as follows:

2009	59,152
2010	63,113
2011	67,340
2012	71,850
2013	76,662
Thereafter	387,017
	$725,134

6. Net Assets Released from Restrictions:

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

Scholarships	$ 41,729
Assistance to specific United Methodist Churches within the Conference	6,300
Missional programs, church growth, and church construction	79,564
Total net assets released from restrictions	$ 127,593

7. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

Missional programs, church growth, and/or church construction	$ 168,007
Various scholarships for education	542,656
Retired preachers, ill or in need	97,852
Sisterhood	4,473
Specific United Methodist Churches within the Conference	6,865
Mission concerns of the Northeast District	70,626
Benevolence to United Methodist Women	271
Total temporarily restricted net assets	$ 890,750

Continued

8. Permanently Restricted Net Assets:

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

Various scholarships for education	$ 222,944
Old and needy women of the Methodist Episcopal denomination	10,000
Pension and health benefits of retired clergy	5,000
Missional programs, church growth and/or church construction	95,381
Missions in North East New Jersey	75,966
General operations	30,060
Total permanently restricted net assets	$ 439,351

9. 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 was 14% through March 31, 2008 and 15.50% from April 1, 2008 through December 31, 2008 of the active participant's plan compensation for a plan year. The 2007 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.

10. 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.

11. Post-Retirement Benefit Obligation:

The Conference's post-retirement health care benefit plan provides health insurance coverage to employees with 5 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

11. **Post-Retirement Benefit Obligation:** (Continued)

Effective July 1, 2002 a person becoming an annuitant on July 1, 2002 with less than 20 years of service 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 service 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

	(In Thousands)
Benefit obligations	$ (47,570)
Plan assets at fair value	-
Funded status	(47,570)
Plan participant contributions	$ 2,653
Medicare Part D Subsidy	220
Benefit paid	(2,873)
	$ -
Amounts recognized in the statement of financial position consist of:	
Current liabilities	$ (2,373)
Non-current liabilities	(45,197)
	$ (47,570)
Amounts recognized in the statement of activities consist of :	
Service cost	$ 1,616
Interest cost	2,803
Actuarial gain/loss	(2,295)
Medicare Part D Subsidy	220
Benefits paid	(2,873)
Amortization of transition obligation, prior service cost, and net actuarial loss	3,749
	$ 3,220

Continued

11. **Post-Retirement Benefit Obligation:** (Continued)

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

	(In Thousands)
Transition obligation	$ 3,141
Prior service cost	3,145
Net actuarial loss	5,067
Total not yet recognized as a component of net periodic pension cost	$ 11,353

The transition obligation, prior service cost, 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) 552, 685, and 247, respectively.

The following assumptions were used in accounting for the plan:

Weighted-average assumption to determine benefit cost and benefit obligation at December 31, 2008:	
Discount rate	6.25%
Assumed Health Care Cost Trends Rates:	
Health care cost trend rate assumed for next year	7.00%
Ultimate trend rate	5.00%
Year that the ultimate rate is reached	2010

There are no plan assets at December 31, 2008.

The following benefits are expected to be paid:

	(In Thousands)	
	After Reflecting Medicare Subsidies	Before Reflecting Medicare Subsidies
2009	2,373	2,597
2010	2,525	2,764
2011	2,665	2,918
2012	2,791	3,054
2013	2,922	3,197
2014-2018	16,781	18,383

Continued

12. Concentration of credit risk:

The Conference maintains cash balances at several financial institutions in excess of the $250,000 FDIC insured limits. The Conference's uninsured cash balances totaled $4,008,183 as of December 31, 2008.

13. 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.

For the year ended December 31, 2008 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	$ 3,590,652	$ 7,101,567	$ 2,964,446	$ 13,656,665
Disbursed	(3,590,652)	(7,443,050)	(2,726,410)	(13,760,112)
Net Activity	$ -	$ (341,483)	$ 238,036	$ (103,447)

14. Deferred Implementation of FASB Interpretation 48 *Accounting for Uncertainty in Income Taxes*:

In December of 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2008. The Organization has elected to defer the application of FASB Interpretation 48 for the year ending December 31, 2008. The Organization evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain positions in the aggregate could differ from the amount recognized.

Continued

15. Endowment:

The Conference's endowment consists of approximately 12 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees 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 Management of Institutional Funds Act (UMIFA) 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 is classified as unrestricted net assets which are available for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UMIFA. In accordance with UMIFA, the organization 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.

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2008:

	Temporarily Restricted	Permanently Restricted	Total
Opening endowment assets	$ 171,358	$ 535,411	$ 706,769
Contributions	2,716	1,000	3,716
Interest and dividends	19,074		19,074
Net appreciation	-	(97,060)	(97,060)
Appropriated for expenditure	(6,029)	-	(6,029)
Closing endowment assets	$ 187,119	$ 439,351	$ 626,470

Continued

15. **Endowment:** (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UMIFA requires the Conference to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net asset. UMIFA requires that all investment income and net appreciation of funds with deficiencies be reinvested until the fair value of the investment exceeds the required level. There were no such deficiencies as of December 31, 2008.

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 Board of Trustees, 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 4% of the average fair value of each respective endowment. The 4% spending policy is followed unless the fair value of endowment assets is less than its respective historical dollar value or there are specific donor stipulations to the contrary.

Concluded

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

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2008

* * *

THE CENTENARY FUND AND PREACHER'S 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	2.
Statement of Activities	3.
Statement of Cash Flows	4.
Notes to the Financial Statements	5.

LAMBRIDES
ARNOLD, MOULTHROP LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of The Centenary Fund and Preacher's Aid Society of The Greater New Jersey Annual Conference of the United Methodist Church (the Fund) as of December 31, 2008, and the related statements of activities and of cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Fund's December 31, 2007 financial statements and, in our report dated February 13, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Centenary Fund and Preacher's Aid Society of The Greater New Jersey Annual Conference of the United Methodist Church as of December 31, 2008, 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.

Lambrides, Arnold, Moulthrop, LLP

April 15, 2009

26 Park Street, Montclair, NJ 07042-3434 • Tel 973·744·8660 • Fax 973·744·3437

Table of Contents

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

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 12,814	$ 20,011
Pledges receivable	-	7,078
Accrued income receivable	45,795	50,125
Prepaid expense	-	200
Investments at market	7,724,796	10,740,401
Bristol Glen Deposits	215,000	215,000
Total Assets	$ 7,998,405	$ 11,032,815
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 8,515	$ 7,675
Grants payable	-	365,000
Total liabilities	8,515	372,675
Net Assets - Unrestricted:		
Donation base	5,867,116	5,704,377
Distribution fund	2,122,774	4,955,763
Total net assets	7,989,890	10,660,140
Total liabilities and net assets	$ 7,998,405	$ 11,032,815

See notes to the financial statements.

Exhibit A

Table of Contents

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

	DONATION BASE	DISTRIBUTION FUND	TOTAL 2008	TOTAL 2007
Support and Revenue:				
Contributions	$ 162,739		$ 162,739	$ 55,510
Interest and dividends		$ 315,009	315,009	567,607
Investment return		(2,709,107)	(2,709,107)	375,539
Total support and revenue	162,739	(2,394,098)	(2,231,359)	998,656
Expenses:				
Program services:				
Health insurance support		383,250	383,250	365,000
Total program services		383,250	383,250	365,000
Supporting Services:				
Development		9,000	9,000	9,000
Insurance		1,175	1,175	1,297
Investment Management		27,580	27,580	28,386
Miscellaneous		1,337	1,337	20
Postage		360	360	-
Travel		856	856	-
Printing		3,394	3,394	584
Professional fees		11,939	11,939	11,878
Total supporting services		55,641	55,641	51,165
Total expenses		438,891	438,891	416,165
Change in Net Assets	162,739	(2,832,989)	(2,670,250)	582,491
Net Assets at Beginning of Year	5,704,377	4,955,763	10,660,140	10,077,649
Net Assets at End of Year	$5,867,116	$2,122,774	$ 7,989,890	$10,660,140

See notes to the financial statements.

Exhibit B

Table of Contents

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

	2008	2007
Cash Flows from Operating Activities:		
Change in net assets	$(2,670,250)	$ 582,491
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized (gains) losses on investments	847,164	(493,627)
Unrealized (gains) losses on investments	1,861,943	118,088
Decrease in pledges receivable	7,078	3,922
Decrease (increase) in accrued income receivable	4,330	(3,629)
Decrease (increase) in prepaid expense	200	(200)
Increase in accounts payable	840	719
Decrease in grants payable	(365,000)	(4,320)
Net cash provided (used) by operating activities	(313,695)	203,444
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	8,057,849	5,545,776
Purchase of investments	(7,751,351)	(5,761,348)
Net cash provided (used) by investing activities	306,498	(215,572)
Net Decrease in Cash and Cash Equivalents	(7,197)	(12,128)
Cash and Cash Equivalents at Beginning of Year	20,011	32,139
Cash and Cash Equivalents at End of Year	$ 12,814	$ 20,011

See notes to the financial statements.

Exhibit C

Table of Contents

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. Organization, Contributions and Benefits:

The Centenary Fund and Preacher's Aid Society for the Greater New Jersey Annual Conference of the United Methodist Church (the Fund) was founded to serve the needs of retired clergy, widows and dependant children of deceased clergy.

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.

Continued

Table of Contents

2. **Summary of significant Accounting Policies:** (Continued)

(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, 2007, from which the summarized information was derived.

(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.

(g) *Tax Exempt Status*

The Fund's earnings are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

(h) *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.

Continued

3. **Investments:**

Investments are recorded at fair value and consist of the following at December 31, 2008:

	Cost	Fair Value
Money market funds and commercial paper	$ 177,171	$ 177,171
Common stocks	4,969,560	3,825,727
Mutual funds	3,654,234	3,721,898
Total investments	$ 8,800,965	$ 7,724,796

4. **Bristol Glen Deposit:**

The Fund has provided a refundable capital deposit in the Bristol Glen retirement home for two retired clergy.

5. **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.

6. **Related Parties:**

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

7. **Cash Flow Information:**

No liabilities for income taxes or interest expense were incurred or paid for the year ended December 31, 2008.

Concluded

THE UNITED METHODIST FOUNDATION OF THE GREATER NEW JERSEY ANNUAL CONFERENCE

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2008

* * *

Table of Contents

THE UNITED METHODIST FOUNDATION OF THE GREATER NEW JERSEY ANNUAL CONFERENCE

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1.
FINANCIAL STATEMENTS:	
Statement of Financial Position	2.
Statement of Activities	3.
Statement of Cash Flows	4.
Notes to the Financial Statements	5.

LAMBRIDES
ARNOLD, MOULTHROP LLP
CERTIFIED PUBLIC ACCOUNTANTS

The United Methodist Foundation of the
Greater New Jersey Annual Conference
Ocean, New Jersey

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of the United Methodist Foundation of the Greater New Jersey Annual Conference (the Foundation) as of December 31, 2008 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's December 31, 2007 financial statements and, in our report dated July 16, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Methodist Foundation of the Greater New Jersey Annual Conference as of December 31, 2008, and its activities and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lambrides, Arnold, Moulthrop, LLP

April 22, 2009

26 Park Street, Montclair, NJ 07042-3434 • Tel 973·744·8660 • Fax 973·744·3437

Table of Contents

THE UNITED METHODIST FOUNDATION OF THE GREATER NEW JERSEY ANNUAL CONFERENCE

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 1,002	$ 7,046
Investments	3,918,837	5,066,005
Total assets	$ 3,919,839	$ 5,073,051
LIABILITIES AND NET ASSETS		
Liabilities:		
Agency accounts	$ 3,806,661	$ 4,925,149
Net Assets:		
Unrestricted :		
Memorial	6,830	8,554
Undesignated	106,348	139,348
Total net assets	113,178	147,902
Total liabilities and net assets	$ 3,919,839	$ 5,073,051

See notes to the financial statements.

Exhibit A

Table of Contents

THE UNITED METHODIST FOUNDATION OF THE GREATER NEW JERSEY ANNUAL CONFERENCE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

	2008	2007
Unrestricted:		
Revenue:		
Administrative management fee	$ 4,776	$ 7,136
Interest income - cash accounts	-	12
Investment income	(3)	6,988
Gain (loss) on investments	(28,307)	(2,324)
Total revenues	(23,534)	11,812
Expenses:		
General and administrative	11,190	9,817
Total expenses	11,190	9,817
Change in Unrestructed Net Assets	(34,724)	1,995
Net Assets, Beginning of Year	147,902	145,907
Net Assets, End of Year	$ 113,178	$ 147,902

See notes to the financial statements.

Exhibit B

Table of Contents

THE UNITED METHODIST FOUNDATION OF THE GREATER NEW JERSEY ANNUAL CONFERENCE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

	2008	2007
Cash Flows from Operating Activities:		
Change in net assets	$ (34,724)	$ 1,995
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Decrease) increase in agency accounts	(1,118,488)	125,562
Net cash provided (used) by operating activities	(1,153,212)	127,557
Cash Flows from Investing Activities:		
Net change in investments	1,147,168	(237,596)
Net cash provided (used) by investing activities	1,147,168	(237,596)
Net Decrease in Cash and Cash Equivalents	(6,044)	(110,039)
Cash and Cash Equivalents at Beginning of Year	7,046	117,085
Cash and Cash Equivalents at End of Year	$ 1,002	$ 7,046

See notes to the financial statements.

Exhibit C

Table of Contents

1. Organization:

The United Methodist Foundation of the Greater New Jersey Annual Conference (the Foundation) was organized to serve the investment needs of both local United Methodist churches and Conference related entities. The Foundation provides a professionally managed investment vehicle for church endowment and other long-term funds.

The Foundation is exempt from federal income taxes under 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 Foundation 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 Foundation 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 Foundation 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.

Continued

2. **Summary of significant Accounting Policies:** (Continued)

- 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) *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.

(d) *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.

(e) *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 values at date of receipt.

(f) *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.

(g) *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, 2007, from which the summarized information was derived.

Continued

3. **Investments:**

Investments are stated at fair value and are summarized as follows:

	Cost	Market
Equities	$2,144,835	$1,739,045
Fixed income	1,189,462	1,258,812
Money market funds	920,980	920,980
	$4,255,277	$3,918,837

The following schedule summaries the investment return and its classification in the statement of activities.

	Foundation	Agency Accounts	Total
Interest and dividends	$ (3)	$ 142,436	$ 142,433
Realized and unrealized gains	(28,307)	(881,951)	(910,258)
Management fees		(26,786)	(26,786)
	$ (28,310)	$ (766,301)	$ (794,611)

4. **Agency Accounts:**

The following schedule summarizes the activity from the agency accounts:

Balance at beginning of year	$ 4,925,149
Deposits	309,329
Investment return	(766,301)
Withdrawals	(661,516)
Balance at end of year	$ 3,806,661

5. **Related Party Transaction:**

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

Concluded