GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2011
* * *

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LAMBRIDES
ARNOLD, MOULTHROP LLP
CERTIFIED PUBLIC ACCOUNTANTS

April 5, 2012

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, 2011 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, 2010 financial statements and, in our report dated April 1, 2011, 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, 2011, 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.

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GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 1,439,270	$ 2,704,870
Investments (Note 3)	23,064,825	24,123,857
Accounts receivable	1,726,408	1,177,673
Loans receivable, net of allowance of $326,814 - 2011 and $344,494 - 2010	1,841,015	1,907,253
Pledge Receivable	-	50,000
Interest receivable	38,573	36,004
Prepaid expenses	194,781	80,887
Property and equipment (Note 5)	4,412,527	3,522,611
Beneficial interest in perpetual trust	232,341	245,750
Total assets	$ 32,949,740	$ 33,848,905
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 1,356,341	$ 1,294,214
Security deposit	5,000	6,250
Refundable grant payable	105,326	204,081
Amounts held for affiliated organizations	2,268,602	1,040,000
Mortgage payable (Note 6)	535,527	597,377
Post-retirement employee benefit obligation (Note 12)	62,978,900	63,855,000
Total liabilities	67,249,696	66,996,922
Net Assets:		
Unrestricted Net Assets:		
Designated for:		
Post-retirement employee benefit obligation	(58,064,854)	(60,072,055)
Pension	-	1,306,507
Property and equipment	5,287,712	4,312,440
Undesignated	16,999,872	20,000,951
Total unrestricted net assets	(35,777,270)	(34,452,157)
Temporarily restricted (Note 8)	925,164	740,081
Permanently restricted (Note 9)	552,150	564,059
Total net assets	(34,299,956)	(33,148,017)
Total liabilities and net assets	$ 32,949,740	$ 33,848,905

See notes to the financial statements.

Exhibit A

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GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL 2011	TOTAL 2010
Revenues, Gains, and Other Support:					
Disciplinary obligations	$ 3,775,578			$ 3,775,578	$ 3,706,039
World service benevolences	2,663,086			2,663,086	3,046,526
Other apportioned	634,678			634,678	692,988
Non apportioned	810,705	$ 310,455	$ 1,500	1,122,660	1,289,507
Change in value of perpetual trusts			(13,409)	(13,409)	15,065
Investment income	(493,425)	34,476		(458,949)	1,929,403
Other revenue	5,389,431	3,749		5,393,180	6,007,119
Gain on sale of real estate	302,936			302,936	1,706,158
Net assets released from restriction	163,597	(163,597)		-	-
Total revenues, gains, and other support	13,246,586	185,083	(11,909)	13,419,760	18,392,805
Expenses and Losses:					
Clergy support	2,372,853			2,372,853	2,290,095
Administrative expense	2,261,193			2,261,193	1,984,366
World service programs	2,839,676			2,839,676	2,975,441
Other apportioned funds	689,683			689,683	725,182
Other disbursements	7,105,500			7,105,500	6,221,968
Depreciation	144,910			144,910	127,361
Interest expense	33,984			33,984	44,656
Total expenses and losses	15,447,799	-	-	15,447,799	14,369,069
Change in net assets before post-retirement benefit obligation gain (loss)	(2,201,213)	185,083	(11,909)	(2,028,039)	4,023,736
Post-retirement benefit obligation gain (loss)	876,100			876,100	(8,834,600)
Change in Net Assets	(1,325,113)	185,083	(11,909)	(1,151,939)	(4,810,864)
Net Assets at Beginning of Year	(34,452,157)	740,081	564,059	(33,148,017)	(28,337,153)
Net Assets at End of Year	$ (35,777,270)	$ 925,164	$ 552,150	$ (34,299,956)	$ (33,148,017)

See notes to the financial statements.

Exhibit B

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	$ (1,151,939)	$ (4,810,864)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	144,910	127,361
Realized gain on investments	(631,772)	(618,612)
Unrealized (gain) loss on investments	1,456,023	(912,511)
Change in value of perpetual trusts	13,409	(15,065)
Gain on disposal of fixed assets	(302,936)	(1,706,158)
(Increase) decrease in:		
Accounts receivable	(548,735)	(198,198)
Allowance for uncollectible loans	43,600	8,520
Pledges receivable	50,000	(50,000)
Interest receivable	(2,569)	(36,004)
Education Society scholarship advances	-	43,605
Prepaid expenses	(113,894)	37,782
Increase (decrease) in:		
Accounts payable and accrued expenses	62,127	47,339
Security deposit	(1,250)	(158,500)
Refundable grant payable	(98,755)	
Amounts held for affiliated organizations	1,228,602	1,040,000
Post-retirement benefits liability	(876,100)	8,834,600
Net cash provided (used) by operating activities	(729,279)	1,633,295
Cash Flows from Investing Activities:		
Increase in loans receivable	(77,680)	(323,848)
Repayments of loans receivable	100,320	160,319
Purchase of investments	(15,432,361)	(13,622,669)
Proceeds from the sale of investments	15,667,141	8,076,337
Proceeds from sale of fixed assets	302,936	1,853,657
Purchase of fixed assets	(1,034,827)	(71,700)
Net cash used by investing activities	(474,471)	(3,927,904)
Cash Flows from Financing Activities:		
Payments on loans payable	(61,850)	(68,600)
Net cash used by financing activities	(61,850)	(68,600)
Net Decrease in Cash and Cash Equivalents	(1,265,600)	(2,363,209)
Cash and Cash Equivalents at Beginning of Year	2,704,870	5,068,079
Cash and Cash Equivalents at End of Year	$ 1,439,270	$ 2,704,870
Supplemental disclosure - interest paid	$ 33,984	$ 44,656

See notes to the financial statements.

Exhibit C

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

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.

Continued

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

(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.

(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, 2010, 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.

Continued

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

(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.

(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.

3. **Investments:**

Investments at December 31, 2011 consisted of the following:

	Cost	Fair Value
Money Markets	$ 4,595,966	$ 4,595,966
Certificate of Deposit	89,676	89,676
Equities	6,735,001	7,477,055
Fixed income	7,196,989	7,483,572
The United Methodist Foundation of the Greater New Jersey Annual Conference	1,608,308	1,623,989
General Board of Pensions	1,220,104	1,794,567
Total	$21,446,044	$23,064,825

Continued

3. **Investments:** (continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	$ 427,007	$ 34,476		$ 461,483
Less investment fees	(96,181)			(96,181)
Investment income	330,826	34,476		365,302
Realized gain/(loss)	631,772			631,772
Unrealized gain/(loss)	(1,456,023)		$(13,409)	(1,469,432)
Net gain (loss) on investments	(824,251)	-	(13,409)	(837,660)
Total investment return	$ (493,425)	$ 34,476	$(13,409)	$ (472,358)

Investments as of December 31, 2011 are summarized below based on when they may be redeemed or sold:

	Fair Values
Daily	$ 23,064,825

4. **Pledges Receivable:**

Pledges receivable represent amounts due from an individual that was collected by December 31, 2011.

5. **Property and Equipment:**

Details of property and equipment are as follows:

	Cost	Accumulated Depreciation	Net
Land	$ 1,380,683		$ 1,380,683
Buildings	4,521,119	$ (1,496,712)	3,024,407
Computer equipment and software	43,195	(35,758)	7,437
Furniture and fixtures	26,506	(26,506)	-
Total	$ 5,971,503	$ (1,558,976)	$ 4,412,527

Continued

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5. **Property and Equipment:** (continued)

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. During the year ended December 31, 2011, the Conference reported $302,936 from the sale of two properties.

6. **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 the Conference's Administrative Building in Ocean, NJ. Interest expense for 2011 on the mortgage payable was $33,984.

Principal maturities are as follows:

2012	$ 71,850
2013	76,662
2014	81,796
2015	87,274
2016	93,119
Thereafter	124,826
	$535,527

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:

Scholarships	$ 19,539
Assistance to specific United Methodist Churches within the Conference	26,739
Missional programs, church growth, and church construction	117,319
Total net assets released from restrictions	$ 163,597

8. **Temporarily Restricted Net Assets:**

Temporarily restricted net assets are available for the following purposes:

Missional programs, church growth, and/or church construction	$ 364,167
Various scholarships for education	355,210
Retired preachers, ill or in need	110,071
Sisterhood	4,800
Specific United Methodist Churches within the Conference	4,700
Mission concerns of the Northeast District	84,414
Benevolence to United Methodist Women	1,554
Clergy assistance	248
Total temporarily restricted net assets	$ 925,164

9. **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	$ 332,309
Old and needy women of the Methodist Episcopal denomination	10,000
Pension and health benefits of retired clergy	5,000
Clergy assistance	2,500
Missional programs, church growth and/or church construction	112,397
Missions in North East New Jersey	89,944
Total permanently restricted net assets	$ 552,150

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 15.50% of the active participant's plan compensation for a plan year. The 2011 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.

Continued

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 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.

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

	(In Thousands)
Benefit obligations	$ (62,979)
Plan assets at fair value	-
Funded status	$ (62,979)
Employer contributions	$ 3,085
Medicare Part D Subsidy	270
Benefit paid	(3,355)
	$ -
Amounts recognized in the statement of financial position consist of:	
Current liabilities	$ (2,486)
Non-current liabilities	(60,493)
	$ (62,979)
Amounts recognized in the statement of activities consist of :	
Service cost	$ 1,778
Interest cost	3,441
Actuarial gain/loss	(3,010)
Medicare Part D Subsidy	270
Benefits paid	(3,355)
	$ (876)

Continued

12. **Post-Retirement Benefit Obligation:**

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

	(In Thousands)
Transition obligation	$ 1,575
Prior service cost	1,088
Net actuarial loss	13,696
Total not yet recognized as a component of net periodic pension cost	$ 16,359

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 $179, respectively.

The following assumptions were used in accounting for the plan:

Weighted-average assumption to determine benefit cost and benefit obligation at December 31, 2011:	
Discount rate	5.50%
Assumed Health Care Cost Trends Rates:	
Health care cost trend rate assumed for next year	8.50%
Ultimate trend rate	5.50%
Year that the ultimate rate is reached	2018

There are no plan assets at December 31, 2011.

The following benefits are expected to be paid:

	(In Thousands)	
	After Reflecting Medicare Subsidies	Before Reflecting Medicare Subsidies
2012	$ 2,486	$ 2,724
2013	2,679	2,930
2014	2,875	3,145
2015	3,078	3,369
2016	3,263	3,575
2017-2021	18,911	20,735

Continued

13. **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 $1,156,348 as of December 31, 2011.

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.

For the year ended December 31, 2011 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	$ 3,567,189	$ 14,699,282	$ 2,840,466	$ 21,106,937
Disbursed	(3,567,189)	(12,766,933)	(2,993,714)	(19,327,836)
Net Activity	$ -	$ 1,932,349	$ (153,248)	$ 1,779,101

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

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15. **Endowment:** (continued)

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.

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2011:

	Temporarily Restricted	Permanently Restricted	Total
Opening endowment assets	$215,357	$564,059	$ 779,416
Contributions		1,500	1,500
Interest and dividends	24,346		24,346
Net appreciation		(13,409)	(13,409)
Appropriated for expenditure	(7,639)		(7,639)
Closing endowment assets	$232,064	$552,150	$ 784,214

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.

Continued

15. **Endowment:** (continued)

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 Organization expects the current spending policy to allow its endowment funds to grow at a minimal average rate of 4% 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.

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, 2011, is as follows:

Program services	$ 13,007,712
Management and general	2,440,087
Total expenses	$ 15,447,799

17. **Subsequent Events:**

In preparing these financial statements, the Conference has evaluated events and transactions for potential recognition or disclosure through April 5, 2012, the date the financial statements were available to be issued.

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, 2011
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LAMBRIDES
ARNOLD, MOULTHROP LLP
CERTIFIED PUBLIC ACCOUNTANTS

April 5, 2012

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, 2011, 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, 2010 financial statements and, in our report dated February 22, 2011, 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, 2011, 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.

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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, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 9,846	$ 6,055
Accrued income receivable	22,499	27,962
Investments at fair value	9,587,247	10,062,822
Bristol Glen deposits	80,000	215,000
Total Assets	$ 9,699,592	$ 10,311,839
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 6,035	$ 5,300
Total liabilities	6,035	5,300
Net Assets - Unrestricted:		
Donation base	$ 6,032,024	$ 5,998,945
Distribution fund	3,661,533	4,307,594
Total net assets	9,693,557	10,306,539
Total liabilities and net assets	$ 9,699,592	$ 10,311,839

See notes to the financial statements.

Exhibit A

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, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

	DONATION BASE	DISTRIBUTION FUND	TOTAL 2011	TOTAL 2010
Support and Revenue:				
Contributions	$ 33,079		$ 33,079	$ 31,963
Interest and dividends		$ 412,776	412,776	403,338
Investment gains (losses)		(556,403)	(556,403)	989,112
Total support and revenue	33,079	(143,627)	(110,548)	1,424,413
Expenses:				
Program services:				
Clergy/family support			-	2,297
Health insurance support		443,660	443,660	422,534
Total program services		443,660	443,660	424,831
Supporting Services:				
Development		9,000	9,000	9,000
Insurance		1,264	1,264	1,205
Investment Management Fees		37,750	37,750	36,758
Miscellaneous		25	25	6
Postage		14	14	184
Printing		1,521	1,521	3,083
Professional fees		9,200	9,200	10,500
Total supporting services		58,774	58,774	60,736
Total expenses	-	502,434	502,434	485,567
Change in Net Assets	33,079	(646,061)	(612,982)	938,846
Net Assets at Beginning of Year	5,998,945	4,307,594	10,306,539	9,367,693
Net Assets at End of Year	$6,032,024	$3,661,533	$ 9,693,557	$10,306,539

See notes to the financial statements.

Exhibit B

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, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	$ (612,982)	$ 938,846
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gain on investments	(283,917)	(93,739)
Unrealized (gain) loss on investments	840,319	(895,373)
(Increase) decrease in:		
Accrued income receivable	5,463	(12,362)
Britol Glen deposits	135,000	
Increase (decrease) in:		
Accounts payable	735	(200)
Net cash provided (used) by operating activities	84,618	(62,828)
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	7,785,099	5,458,137
Purchase of investments	(7,865,926)	(5,412,819)
Net cash provided (used) by investing activities	(80,827)	45,318
Net Increase (Decrease) in Cash and Cash Equivalents	3,791	(17,510)
Cash and Cash Equivalents at Beginning of Year	6,055	23,565
Cash and Cash Equivalents at End of Year	$ 9,846	$ 6,055

See notes to the financial statements.

Exhibit C

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, 2011

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 dependent 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

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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, 2010, 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

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, 2011

3. **Investments:**

Investments are recorded at fair value and consist of the following at December 31, 2011:

	Fair Value	Cost
Cash and cash equivalents	$ 411,838	$ 411,838
Fixed income - U.S. Government obligations	2,467,187	2,384,460
Mutual funds:		
Equity	3,478,301	3,149,864
Fixed income	2,798,841	2,722,758
Real estate	182,362	100,358
Tangible assets - commodities	248,718	287,665
Total investments	$ 9,587,247	$ 9,056,943

4. **Bristol Glen Deposit:**

The Fund has provided a refundable capital deposit in the Bristol Glen retirement home for one 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, 2011.

Continued

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8. **Subsequent Events:**

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through April 5, 2012, the date the financial statements were available to be issued.

Concluded