GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2012
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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 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, 2012, 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, 2012, 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

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of financial position and activities on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Conference's 2011 financial statements, and our report dated April 5, 2012, 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, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

May 10, 2013

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STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 2,043,199	$ 1,439,270
Investments (Note 3)	25,422,299	23,064,825
Accounts receivable	1,664,722	1,726,408
Loans receivable, net of allowance of $323,226 - 2012 and $326,814 - 2011	1,679,711	1,841,015
Interest receivable	30,926	38,573
Prepaid expenses	101,531	194,781
Property and equipment (Note 4)	4,573,172	4,412,527
Beneficial interest in perpetual trust	245,777	232,341
Total assets	$ 35,761,337	$ 32,949,740
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 3,320,478	$ 1,356,341
Security deposit	4,500	5,000
Refundable grant payable	-	105,326
Amounts held for affiliated organizations	-	2,268,602
Mortgage payable (Note 5)	463,611	535,527
Post-retirement employee benefit obligation (Note 12)	61,906,385	62,978,900
Total liabilities	65,694,974	67,249,696
Net Assets:		
Unrestricted Net Assets	(32,161,640)	(35,777,270)
Temporarily restricted (Note 7)	1,661,417	925,164
Permanently restricted (Note 8)	566,586	552,150
Total net assets	(29,933,637)	(34,299,956)
Total liabilities and net assets	$ 35,761,337	$ 32,949,740

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STATEMENT OF ACTIVITIES
DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL 2012	TOTAL 2011
Revenues, Gains, and Other Support:					
Disciplinary obligations	$ 4,042,295			$ 4,042,295	$ 3,775,578
World service benevolences	2,650,213			2,650,213	2,663,086
Other apportioned	624,610			624,610	634,678
Non apportioned	538,469	$ 1,021,749	$ 1,000	1,561,218	1,122,660
Change in value of perpetual trusts			13,435	13,435	(13,409)
Investment income	1,638,921	33,244		1,672,165	(458,949)
Other revenue	7,433,312	76		7,433,388	5,393,180
Gain on sale of real estate	1			1	302,936
Net assets released from restriction	318,815	(318,815)		-	-
Total revenues, gains, and other support	17,246,636	736,254	14,435	17,997,325	13,419,760
Expenses and Losses:					
Clergy support	2,418,310			2,418,310	2,372,853
Administrative expense	2,222,963			2,222,963	2,261,193
World service programs	2,822,050			2,822,050	2,839,676
Other apportioned funds	668,017			668,017	689,683
Other disbursements	6,371,962			6,371,962	7,105,500
Depreciation	167,591			167,591	144,910
Interest expense	32,628			32,628	33,984
Total expenses and losses	14,703,521	-	-	14,703,521	15,447,799
Change in net assets before post-retirement benefit obligation gain (loss)	2,543,115	736,254	14,435	3,293,804	(2,028,039)
Post-retirement benefit obligation gain	1,072,515			1,072,515	876,100
Change in Net Assets	3,615,630	736,254	14,435	4,366,319	(1,151,939)
Net Assets at Beginning of Year	(35,777,270)	925,164	552,150	(34,299,956)	(33,148,017)
Net Assets at End of Year	$ (32,161,640)	$ 1,661,418	$ 566,585	$ (29,933,637)	$ (34,299,956)

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STATEMENT OF CASH FLOWS
DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2011

	2012	2011
Cash Flows from Operating Activities:		
Change in net assets	$ 4,366,319	$ (1,151,939)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	167,591	144,910
Realized gain on investments	(778,839)	(631,772)
Unrealized gain on investments	(569,957)	1,456,023
Change in value of perpetual trusts	(13,436)	13,409
(Gain) loss on disposal of fixed assets	-	(302,936)
(Increase) decrease in:		
Accounts receivable	61,686	(548,735)
Allowance for uncollectible loans	7,058	43,600
Pledges receivable	-	50,000
Interest receivable	7,647	(2,569)
Prepaid expenses	93,250	(113,894)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,964,137	62,127
Security deposit	(500)	(1,250)
Refundable grant payable	(105,326)	(98,755)
Amounts held for affiliated organizations	(2,268,602)	1,228,602
Post-retirement benefits liability	(1,072,515)	(876,100)
Net cash provided (used) by operating activities	1,858,513	(729,279)
Cash Flows from Investing Activities:		
Increase in loans receivable	(42,489)	(77,680)
Repayments of loans receivable	196,735	100,320
Purchase of investments	(14,902,571)	(15,432,361)
Proceeds from the sale of investments	13,893,892	15,667,141
Proceeds from sale of fixed assets	1	302,936
Purchase of fixed assets	(328,236)	(1,034,827)
Net cash used by investing activities	(1,182,668)	(474,471)
Cash Flows from Financing Activities:		
Payments on loans payable	(71,916)	(61,850)
Net cash used by financing activities	(71,916)	(61,850)
Net Increase (Decrease) in Cash and Cash Equivalents	603,929	(1,265,600)
Cash and Cash Equivalents at Beginning of Year	1,439,270	2,704,870
Cash and Cash Equivalents at End of Year	$ 2,043,199	$ 1,439,270
Supplemental disclosure - interest paid	$ 32,628	$ 33,984

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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.

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2011, 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.

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012 consisted of the following:

	Cost	Fair Value
Money Markets	$ 4,873,914	$ 4,873,914
Certificate of Deposit	87,632	87,632
Equities	6,722,133	7,802,464
Fixed income	7,912,538	8,277,579
Real estate	82,426	87,475
The United Methodist Foundation of the Greater New Jersey Annual Conference	1,605,006	1,734,530
General Board of Pensions	1,949,912	2,558,705
Total	$23,233,561	$25,422,299

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

3. **Investments:** (continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	$ 394,406	$ 33,244		$ 427,650
Less investment fees	(104,281)			(104,281)
Investment income	290,125	33,244		323,369
Realized gain/(loss)	778,839			778,839
Unrealized gain/(loss)	569,957		$ 13,435	583,392
Net gain (loss) on investments	1,348,796	-	13,435	1,362,231
Total investment return	$1,638,921	$ 33,244	$ 13,435	$1,685,600

Investments as of December 31, 2012 are summarized below based on when they may be redeemed or sold:

	Fair Values
Daily	$ 25,422,299

4. **Property and Equipment:**

Details of property and equipment are as follows:

	Cost	Accumulated Depreciation	Net
Land	$ 1,380,683		$1,380,683
Buildings	4,849,355	$(1,662,178)	3,187,177
Computer equipment and software	43,195	(37,883)	5,312
Furniture and fixtures	26,506	(26,506)	-
Total	$ 6,299,739	$(1,726,567)	$4,573,172

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

4. **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, 2012, the Conference reported $1 from the sale of one property. This property was sold to a nonprofit corporation.

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 the Conference's Administrative Building in Ocean, NJ. Interest expense for 2012 on the mortgage payable was $32,628.

Principal maturities are as follows:

2013	76,667
2014	81,801
2015	87,279
2016	93,125
2017	99,361
Thereafter	25,378
	$463,611

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	$ 50,149
Assistance to specific United Methodist Churches within the Conference	4,700
Missional programs, church growth, and church construction	263,966
Total net assets released from restrictions	$318,815

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

7. **Temporarily Restricted Net Assets:**

Temporarily restricted net assets are available for the following purposes:

Missional programs, church growth, and/or church construction	$1,098,943
Various scholarships for education	344,557
Retired preachers, ill or in need	114,473
Sisterhood	4,874
Specific United Methodist Churches within the Conference	7,500
Mission concerns of the Northeast District	88,696
Benevolence to United Methodist Women	2,016
Clergy assistance	358
Total temporarily restricted net assets	$1,661,417

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	$ 333,309
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	121,097
Missions in North East New Jersey	94,680
Total permanently restricted net assets	$ 566,586

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 is 15.50% of the active participant's plan compensation for a plan year. The 2012 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.

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 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.

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	$ (61,906)
Plan assets at fair value	-
Funded status	$ (61,906)
Employer contributions	$ 2,982
Medicare Part D Subsidy	258
Benefit paid	(3,240)
	$ -
Amounts recognized in the statement of financial position consist of:	
Current liabilities	$ (2,499)
Non-current liabilities	(59,407)
	$ (61,906)
Amounts recognized in the statement of activities consist of :	
Service cost	$ 1,741
Interest cost	3,087
Actuarial gain/loss	(2,919)
Medicare Part D Subsidy	258
Benefits paid	(3,240)
	$ (1,073)

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

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

	(In Thousands)
Transition obligation	$ 1,053
Prior service cost	403
Net actuarial loss	10,058
Total not yet recognized as a component of net periodic pension cost	$ 11,514

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, $403, and $370, respectively.

The following assumptions were used in accounting for the plan:

Weighted-average assumption to determine benefit cost and benefit obligation at December 31, 2012:	
Discount rate	4.50%
Assumed Health Care Cost Trends Rates:	
Health care cost trend rate assumed for next year	Pre 65-8% /Post 65-7%
Ultimate trend rate	5%
Year that the ultimate rate is reached	2020

There are no plan assets at December 31, 2012.

The following benefits are expected to be paid:

	(In Thousands)	
	After Reflecting Medicare Subsidies	Before Reflecting Medicare Subsidies
2012	$ 2,499	$ 2,867
2013	2,649	3,038
2014	2,792	3,207
2015	2,926	3,367
2016	2,053	3,520
2017-2021	17,273	19,959

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 $1,780,453 as of December 31, 2012.

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, 2012 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	$ 3,554,193	$ 13,649,317	$ 3,065,863	$ 20,269,373
Disbursed	(3,554,193)	(14,530,840)	(3,429,528)	(21,514,561)
Net Activity	$ -	$ (881,523)	$ (363,665)	$ (1,245,188)

14. **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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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

14. **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, 2012:

	Temporarily Restricted	Permanently Restricted	Total
Opening endowment assets	$232,064	$552,150	$ 784,214
Contributions		1,000	1,000
Interest and dividends	23,438		23,438
Net appreciation		13,435	13,435
Appropriated for expenditure	(6,325)		(6,325)
Closing endowment assets	$249,177	$566,585	$ 815,762

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.

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

14. **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.

15. **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, 2012, is as follows:

Program services	$ 12,280,339
Management and general	2,423,182
Total expenses	$ 14,703,521

16. **Subsequent Events:**

In preparing these financial statements, the Conference has evaluated events and transactions for potential recognition or disclosure through May 10, 2013, the date the financial statements were available to be issued.

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STATEMENT OF FINANCIAL POSITION
A FUTURE WITH HOPE
AS OF DECEMBER 31, 2012

ASSETS

Cash and cash equivalents	$ 698,983
GNJAC GBGM grant receivable	60,000
Total assets	$ 758,983

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	$ 6,303
Due to GNJAC	49,390
Total liabilities	55,693
Net Assets:	
Temporarily restricted	703,290
Total liabilities and net assets	$ 758,983

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STATEMENT OF ACTIVITIES
A FUTURE WITH HOPE
AS OF DECEMBER 31, 2012

GNJ SANDY RELIEF FUND	
Support and revenue:	
Donations and Transfers from other funds	$ 693,983
Discretionary funds	5,000
Total revenue gains and other support	698,983
Expenses:	
Project coordinator Salary	7,447
Project manager salary	6,538
Administrative assistant salary	7,500
Health insurance	-
Pension	432
Utilities	208
Cell phone expense	114
Travel expenses	116
Office expenses	6,658
Payroll taxes	1,660
Computer expenses	3,697
Communications/Media presence	5,993
Emergency assistance	1,973
Church repairs	8,190
Total expenses	50,526
Change in Net Assets	648,457
GBGM SANDY EMERGENCY GRANT	
Support and revenue:	
GBGM Sandy Emergency Grant	60,000
Expenses:	
Warehouse utilities	-
Warehouse rent	1,750
Equipment expense	2,000
Pulpit supply	1,417
Total expenses	5,167
Change in Net Assets	54,833
Total changes in net assets	703,290
Net Assets at Beginning of Year	-
Net Assets at End of Year	$ 703,290

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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, 2012

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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 financial statements of The Centenary Fund and Preacher's 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, 2012, and the related statements of activity, cash flows, and functional expenses 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 Preacher's Aid Society of the Greater New Jersey Annual Conference of the United Methodist Church as of December 31, 2012, 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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Report on Summarized Comparative Information

We have previously audited the Fund's 2011 financial statements, and our report April 5, 2012, 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, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

June 12, 2013

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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, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 9,701	$ 9,846
Accrued income receivable	18,483	22,499
Investments at fair value	10,135,206	9,587,247
Bristol Glen deposits	80,000	80,000
Total assets	$ 10,243,390	$ 9,699,592
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 6,877	$ 6,035
Total liabilities	6,877	6,035
Net Assets - Unrestricted:		
Donation base	$ 6,062,842	$ 6,032,024
Distribution fund	4,173,671	3,661,533
Total net assets	10,236,513	9,693,557
Total liabilities and net assets	$ 10,243,390	$ 9,699,592

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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 ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011

	DONATION BASE	DISTRIBUTION FUND	TOTAL 2012	TOTAL 2011
Support and Revenue:				
Contributions	$ 30,818		$ 30,818	$ 33,079
Interest and dividends		$ 374,847	374,847	412,776
Investment gains (losses)		678,728	678,728	(556,403)
Total support and revenue	30,818	1,053,575	1,084,393	(110,548)
Expenses:				
Program services:				
Clergy/family support			-	-
Health insurance support		465,843	465,843	443,660
Total program services	-	465,843	465,843	443,660
Supporting Services:				
Development		9,000	9,000	9,000
Insurance		1,353	1,353	1,264
Investment Management Fees		52,702	52,702	37,750
Miscellaneous		161	161	25
Postage		4	4	14
Printing		2,174	2,174	1,521
Professional fees		10,200	10,200	9,200
Total supporting services		75,594	75,594	58,774
Total expenses	-	541,437	541,437	502,434
Change in Net Assets	30,818	512,138	542,956	(612,982)
Net Assets at Beginning of Year	6,032,024	3,661,533	9,693,557	10,306,539
Net Assets at End of Year	$6,062,842	$4,173,671	$10,236,513	$ 9,693,557

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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 CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011

	2012	2011
Cash Flows from Operating Activities:		
Change in net assets	$ 542,956	$ (612,982)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gain on investments	(608,872)	(283,917)
Unrealized (gain) loss on investments	(69,856)	840,319
Decrease in:		
Accrued income receivable	4,016	5,463
Britol Glen deposits	-	135,000
Increase in:		
Accounts payable	842	735
Net cash provided (used) by operating activities	(130,914)	84,618
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	10,653,786	7,785,099
Purchase of investments	(10,523,017)	(7,865,926)
Net cash provided (used) by investing activities	130,769	(80,827)
Net Increase (Decrease) in Cash and Cash Equivalents	(145)	3,791
Cash and Cash Equivalents at Beginning of Year	9,846	6,055
Cash and Cash Equivalents at End of Year	$ 9,701	$ 9,846

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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, 2012

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.

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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, 2012

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, 2011, 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.

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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, 2012

3. **Investments:**

Investments are recorded at fair value and consist of the following at December 31, 2012:

	Fair Value	Cost
Cash and cash equivalents	$ 464,166	$ 464,166
Fixed income - U.S. Government obligations	2,601,620	2,581,017
Mutual funds:		
Equity	4,075,471	3,796,638
Fixed income	2,534,300	2,270,584
Real estate	183,649	109,976
Tangible assets - commodities	276,000	312,665
Total investments	$ 10,135,206	$ 9,535,046

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, 2012.

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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 June 12, 2013, the date the financial statements were available to be issued.