GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended
December 31, 2014

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GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

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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 consolidated financial statements of the Greater New Jersey Annual Conference of the United Methodist Church (the Conference) and subsidiary, which comprise the statement of financial position as of December 31, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated 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 consolidated 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 and subsidiary as of December 31, 2014, 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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Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, the Conference restated its 2013 balances to correct an error discovered during the 2014 fiscal year.

Lambrides Arnold Moulthrop LLP

May 14, 2015

GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2014

ASSETS	
Cash and cash equivalents	$ 2,294,496
Investments (Note 5)	26,463,291
Accounts receivable	2,209,030
Pledges Receivable (Note 4)	1,274,194
Loans receivable, net of allowance of $292,373 - 2014 and $327,638 - 2013	1,060,408
Interest receivable	18,195
Due from Bishop's Office	15,772
Prepaid expenses	187,524
Property and equipment (Note 7)	6,205,177
Beneficial interest in perpetual trust	254,542
Total assets	$ 39,982,629
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued expenses	$ 2,046,700
Security deposit	5,000
Mortgage payable	-
Post-retirement employee benefit obligation (Note 13)	51,687,699
Total liabilities	53,739,399
Net Assets:	
Unrestricted Net Assets	(17,748,767)
Temporarily restricted (Note 9)	3,408,377
Permanently restricted (Note 10)	583,620
Total net assets	(13,756,770)
Total liabilities and net assets	$ 39,982,629

See notes to the consolidated financial statements.

Exhibit A

GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2014

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenues, Gains, and Other Support:				
Disciplinary obligations	$ 4,177,651			$ 4,177,651
World service benevolences	2,847,490			2,847,490
Other apportioned	665,226			665,226
Non apportioned	59,029	$1,607,214	$ 3,238	1,669,481
Change in value of perpetual trusts			(2,760)	(2,760)
Contributions	1,368,663	1,425,867		2,794,530
Investment income	1,672,029	40,378		1,712,407
Other revenue	6,619,852		500	6,620,352
Gain on sale of real estate				-
Net assets released from restriction (Note 8)	3,733,780	(3,733,780)		-
Total revenues, gains, and other support	21,143,720	(660,321)	978	20,484,377
Expenses and Losses:				
Clergy support	2,416,115			2,416,115
Administrative expense	2,754,829			2,754,829
World service programs	2,844,646			2,844,646
Other apportioned funds	662,667			662,667
Other disbursements	7,586,492			7,586,492
Depreciation	182,331			182,331
Interest expense	22,099			22,099
Program services	3,318,415			3,318,415
Supporting services				-
Management and general	467,218			467,218
Fundraising	85,065			85,065
Total supporting services	552,283	-	-	552,283
Total expenses and losses	20,339,877	-	-	20,339,877
Change in net assets before post-retirement benefit obligation gain	803,843	(660,321)	978	144,500
Post-retirement benefit obligation gain (Note 12)	8,282,852			8,282,852
Change in Net Assets	9,086,695	(660,321)	978	8,427,352
Net Assets at Beginning of Year	(26,835,462)	4,068,698	582,642	(22,184,122)
Net Assets at End of Year	$(17,748,767)	$3,408,377	$ 583,620	(13,756,770)

See notes to the consolidated financial statements.

Exhibit B

GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

Cash Flows from Operating Activities:	
Change in net assets	$ 8,427,352
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation expense	184,930
Realized gain on investments	(988,193)
Unrealized loss on investments	407,365
Change in value of perpetual trusts	2,760
(Increase) decrease in:	
Accounts receivable	(417,512)
Allowance for uncollectible loans	86,706
Pledges receivable	(122,905)
Interest receivable	4,642
Due from Bishop's office	(15,772)
Prepaid expenses	42,542
Increase (decrease) in:	
Accounts payable and accrued expenses	(567,938)
Client funds held for home repairs	(30,801)
Volunteer deposits	500
Security deposit	(1,500)
Post-retirement benefits liability	(8,282,852)
Net cash used by operating activities	(1,270,676)
Cash Flows from Investing Activities:	
Increase in loans receivable	(126,712)
Repayments of loans receivable	419,445
Purchase of investments	(15,721,652)
Proceeds from the sale of investments	16,285,138
Purchase of fixed assets	(1,825,165)
Net cash used by investing activities	(968,946)
Cash Flows from Financing Activities:	
Payments on loans payable	(386,956)
Net cash used by financing activities	(386,956)
Net Decrease in Cash and Cash Equivalents	(2,626,578)
Cash and Cash Equivalents at Beginning of Year	4,921,073
Cash and Cash Equivalents at End of Year	$ 2,294,495
Supplemental disclosure - interest paid	$ 22,099

See notes to the consolidated financial statements.

Exhibit C

GREATER NEW JERSEY ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

A Future With Hope, a non-profit corporation, was formed on December 22, 2012 and is engaged in New Jersey in Hurricane Sandy relief efforts. The Organization repairs and rebuilds homes, communities, organization, and systems by strengthening community leadership, engaging neighborhood people, and releasing local assets.

A Future With Hope is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income if such activities occur. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

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 Consolidation*

The consolidated financial statements include the accounts of the Greater New Jersey Annual Conference of the United Methodist Church and A Future With Hope, Inc. Greater New Jersey Annual Conference and its subsidiary comprise a controlled group and are referred to collectively throughout the notes as the "Conference." All significant intercompany transactions and balances have been eliminated.

(c) *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.

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

(c) *Net Assets* (continued)

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.

(d) *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.

(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. The Conference uses the allowance method to determine uncollectible receivables. An allowance for uncollectible pledges is estimated based upon management's judgment and includes factors such as prior collection history.

(i) *Land, Buildings and Equipment*

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

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

(j) *Post-retirement Benefits*

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

(k) *Functional Allocation of Expenses*

The costs of providing the Organization's programs and activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(l) *Refunds Due from Grants Awarded to Other Organizations*

Unexpended balances of grants received by the Organization are required to be returned to the grantor. Grant refunds to the grantor are recorded when the amount of refund due becomes known, normally when a final accounting by the Organization is submitted.

Continued

3. **Prior Year Adjustment:**

Certain errors resulting in an understatement of previously reported pledges receivable, non apportioned income and administrative expenses were discovered during the current year. The original pledges receivable were not reflected on the statement of financial position, the non apportioned missing campaign income was recorded on a cash basis and bad debt expense was not calculated and recorded.

Accordingly, the Conference accounted for the outstanding pledges receivable at 12/31/2013 and related income of $1,535,052. The allowance for uncollectible pledges and related bad debt expense were calculated at 25% and amounted $383,763. The new calculation resulted in a net increase in total assets and total temporarily restricted net assets of $1,151,289 at January 1, 2014.

4. **Pledges Receivable:**

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

In less than one year	$ 1,698,925
Less: alowance for uncollectible pledges	(424,731)
Net pledges receivable	$ 1,274,194

5. **Investments:**

Investments at December 31, 2014 consisted of the following:

	Cost	Fair Value
Money Markets	$ 3,699,734	$ 3,699,734
Certificate of Deposit	87,632	87,632
Equities	8,189,437	10,461,418
Fixed income	8,719,704	8,711,787
Real estate investment trust	123,662	158,962
Bryn Mawr Trust	1,705,809	2,096,948
General Board of Pensions	613,592	1,246,810
Total	$23,139,570	$26,463,291

Continued

5. **Investments:** (continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	$1,088,440	$ 40,378		$1,128,818
Less investment fees	(111,361)			(111,361)
Investment income	977,079	40,378		1,017,457
Realized gain	990,933			990,933
Unrealized loss	(407,344)		$ (2,760)	(410,104)
Net gain on investments	583,589	-	(2,760)	580,829
Total investment return	$1,560,668	$ 40,378	$ (2,760)	$1,598,286

Investments as of December 31, 2014 are summarized below based on when they may be redeemed or sold:

	Fair Values
Daily	$ 26,463,291

6. **Fair Value Measurements:**

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

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

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

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

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

Continued

6. **Fair Value Measurements:** (continued)

Fair values of assets measured at December 31, 2014 are as follows:

	Totals	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements:				
Money market funds	$ 3,699,734	$ 3,699,734		
Certificates of deposit	87,632	87,632		
Equity securities:				
U.S. Large Cap	6,180,972	6,180,972		
U.S. Mid Cap	1,170,062	1,170,062		
U.S. Small Cap	452,395	452,395		
International Developed	2,110,422	2,110,422		
Emerging Markets	542,020	542,020		
Equity Other	5,548	5,548		
Total	10,461,418	10,461,418	-	-
Fixed Income:				
Investment Grade Taxable	7,779,967	$ 7,779,967		
International Developed Bonds	315,172	315,172		
Global High Yield Taxable	616,647	616,647		
Total	8,711,787	8,711,787	-	-
Real Estate Investment Trust:				
Public REITs	158,962	158,962		
Total	158,962	158,962	-	-
Bryn Mawr Trust	2,096,948	2,096,948		
General Board of Pensions	1,246,811	1,246,811		
Total investments	26,463,291	26,463,291	-	-
Beneficial interest in perpetual trust	254,542			$ 254,542
Total fair value measurements	$ 26,717,833	$ 26,463,291	$ -	$ 254,542

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

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

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

Continued

6. **Fair Value Measurements:** (continued)

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

	Level 3
Fair value at the beginning of the year	$257,302
Unrealized loss	(2,760)
Total fair value at the end of the year	$254,542

7. **Property and Equipment:**

Details of property and equipment are as follows:

	Cost	Accumulated Depreciation	Net
Land	$ 1,400,368		$1,400,368
Buildings	5,162,032	$(1,891,099)	3,270,933
Computer equipment and software	43,195	(42,133)	1,062
Furniture and fixtures	26,506	(26,506)	-
Vehicles	12,995	(3,899)	9,096
Construction in progress	1,523,718		1,523,718
Total	$ 8,168,814	$(1,963,637)	$6,205,177

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.

Continued

8. Net Assets Released from Restrictions:

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

Churches within the Conference	$ 247,903
Scholarships	34,261
Missional programs, church growth, and church construction	1,121,600
A Future With Hope Programs	2,330,016
Total net assets released from restrictions	$ 3,733,780

9. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

Missional programs, church growth, and/or church construction	$1,672,252
Various scholarships for education	350,317
Retired preachers, ill or in need	125,005
Specific United Methodist Churches within the Conference	60,866
Mission concerns of the Northeast District	94,957
Benevolence to United Methodist Women	2,701
Clergy assistance	692
A Future With Hope Hurricane Sandy relief efforts	1,101,587
Total temporarily restricted net assets	$3,408,377

10. 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	$ 338,047
Old and needy women of the Methodist Episcopal denomination	10,000
Pension and health benefits of retired clergy	5,000
Clergy assistance	3,500
Missional programs, church growth and/or church construction	130,839
Missions in North East New Jersey	96,234
Total permanently restricted net assets	$ 583,620

Continued

11. **Conference Board of Pensions:**

Effective January 1, 2007, the Conference adopted the Clergy Retirement Security Program which had been established by the General Conference of the United Methodist Church. This plan supersedes and replaces the provisions of the prior plans. The church contribution rate under the Clergy Retirement Security Program is 12.50% of the active participant's plan compensation for a plan year. The 2014 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.

12. **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.

The Conference's subsidiary, A Future With Hope, adopted a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Organization. The Organization contributes 6% of gross salaries to the plan for qualified employees. The plan expense for the year ended December 31, 2014 was $50,458.

13. **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.

Continued

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

Obligations and Funded Status

	2014 (In Thousands)	2013 (In Thousands)
Benefit obligations	$(51,688)	$ (59,971)
Plan assets at fair value	-	-
Funded status	$(51,688)	$ (59,971)
Employer contributions	$ 2,969	$ 2,949
Medicare Part D Subsidy	178	232
Benefit paid	(3,147)	(3,181)
	$ -	$ -
Amounts recognized in the statement of financial position consist of:		
Current liabilities	$ (2,012)	$ (2,636)
Non-current liabilities	(49,676)	(57,335)
	$(51,688)	$ (59,971)
Amounts recognized in the statement of activities consist of :		
Service cost	$ 1,375	$ 1,732
Interest cost	2,933	2,730
Actuarial gain/loss	(9,622)	(3,449)
Medicare Part D Subsidy	178	232
Benefits paid	(3,147)	(3,181)
	$ (8,283)	$ (1,936)

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

	2014 (In Thousands)	2013 (In Thousands)
Transition obligation	$ 9	$ 531
Net actuarial loss	(3,407)	6,241
Total not yet recognized as a component of net periodic pension cost	$ (3,398)	$ 6,772

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

Continued

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

The following assumptions were used in accounting for the plan:

Weighted-average assumption to determine benefit cost and benefit obligation at December 31, 2014:	
Discount rate	4.25%
Assumed Health Care Cost Trends Rates:	
Health care cost trend rate assumed for next year	Pre 65-7.5% /Post 65-8.91%
Ultimate trend rate	5%
Year that the ultimate rate is reached	2024

There are no plan assets at December 31, 2014.

The following benefits are expected to be paid:

	(In Thousands)	
	After Reflecting Medicare Subsidies	Before Reflecting Medicare Subsidies
2015	2,011	2,011
2016	2,171	2,171
2017	2,304	2,304
2018	2,444	2,444
2019	2,579	2,579
2020-2024	14,590	14,590

14. **Concentration of Credit Risk:**

Financial instruments that potentially subject the Conference to concentrations of credit risk consist of bank balances that at times exceed federally insured limits. At December 31, 2014, the Conference's uninsured cash balances totaled approximately $2,030,695. Management believes it is not exposed to any significant credit risk on its balances.

15. **Reimbursed Expenditures:**

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

Continued

15. **Reimbursed Expenditures:** (continued)

For the year ended December 31, 2014 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	$ 3,087,304	$ 14,320,935	$ 3,345,820	$ 20,754,059
Disbursed	(3,298,788)	(15,202,508)	(3,734,627)	(22,235,923)
Net Activity	$ (211,484)	$ (881,573)	$ (388,807)	$ (1,481,864)

16. **Endowment:**

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

Relevant Law

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

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

Continued

16. **Endowment:** (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2014:

	Temporarily Restricted	Permanently Restricted	Total
Opening endowment assets	$261,524	$582,642	$ 844,166
Contributions		3,738	3,738
Interest and dividends	28,305		28,305
Net appreciation		(2,760)	(2,760)
Appropriated for expenditure	(10,524)		(10,524)
Closing endowment assets	$279,305	$583,620	$ 862,925

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Continued

17. 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, 2014, is as follows:

Program services	$ 17,010,666
Management and general	3,244,146
Fundraising	85,065
Total expenses	$ 20,339,877

18. Income Taxes:

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

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Conference may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Conference and various position related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2014 and 2013.

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

19. Related Parties:

The Conference provides administrative services to various related organizations. The payments received and in-kind services provided in 2014 are as follows:

A Future With Hope	$ 273,772
The Centenary Fund and Preacher's Aid Society	40,246
The United Methodist Foundation	1,000
Total administrative fees	$ 315,018

Continued

19. **Related Parties:** (continued)

Due to the reorganization of the Greater NJ United Methodist Camping Ministries, the Conference waived its administrative fees from that program for 2014.

The Centenary Fund provides annual support to a Conference's program which serves the needs of retired clergy, widows and dependent children of deceased clergy. The amount received in 2014 is $513,591.

The Conference collects contributions from local churches and individuals which are designated for A Future with Hope and The Centenary Fund. The amounts remitted to related organization in 2014 are as follows:

A Future With Hope	$ 570,829
The Centenary Fund and Preacher's Aid Society	2,258
	$ 573,087

The Conference provided $104,689 in in-kind services to A Future with Hope.

At December 31, 2014, the Conference had the following related party accounts receivable and payable:

Accounts receivable:	
Centenary Fund	$ 2,750
Greater NJ United Methodist Camping Ministries	60,000
	$ 62,750
Accounts payable:	
A Future With Hope	$ 240,396
UMC - Imagine No Malaria	50,556
	$ 290,952

20. **Subsequent Events:**

In preparing these financial statements, the Conference has evaluated events and transactions for potential recognition or disclosure through May 14, 2015, the date the financial statements were available to be issued.

Concluded