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

FINANCIAL STATEMENTS
For the Year Ended
December 31, 2014

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

TABLE OF CONTENTS

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

LAMBRIDES
ARNOLD, MOULTHROP LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of The Centenary Fund and Preachers' Aid Society of the Greater New Jersey Annual Conference of the United Methodist Church (the Fund) which comprise the statement of financial position as of December 31, 2014, and the related statements of activity and cash flows, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Centenary Fund and Preachers' Aid Society of the Greater New Jersey Annual Conference of the United Methodist Church as of December 31, 2014, 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 2013 financial statements, and our report June 11, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lambrides, Arnold, Moulthrop, LLP

April 7, 2015

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

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 30,248	$ 24,443
Accrued income receivable	14,354	14,027
Investments	10,885,447	10,918,120
Bristol Glen deposits	80,000	80,000
Total assets	$11,010,049	$11,036,590
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 11,472	$ 7,358
Total liabilities	11,472	7,358
Net Assets - Unrestricted:		
Donation base	6,209,337	6,146,555
Distribution fund	4,789,240	4,882,677
Total net assets	10,998,577	11,029,232
Total liabilities and net assets	$11,010,049	$11,036,590

See notes to the financial statements.

Exhibit A

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

STATEMENT OF ACTIVITIES - UNRESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

	DONATION BASE	DISTRIBUTION FUND	TOTAL 2014	TOTAL 2013
Support and Revenue:				
Contributions	$ 62,782		$ 62,782	$ 83,713
Interest and dividends		$ 277,112	277,112	413,759
Investment gains		220,222	220,222	887,897
Total support and revenue	62,782	497,334	560,116	1,385,369
Expenses:				
Program services:				
Clergy/family support			-	29,341
Health insurance support		513,591	513,591	489,135
Total program services	-	513,591	513,591	518,476
Supporting Services:				
Development		8,250	8,250	6,750
Insurance		1,488	1,488	1,421
Investment Management Fees		51,086	51,086	53,839
Miscellaneous		419	419	970
Postage		818	818	96
Printing		5,199	5,199	1,586
Professional fees		9,920	9,920	9,510
Total supporting services		77,180	77,180	74,172
Total expenses	-	590,771	590,771	592,648
Change in Net Assets	62,782	(93,437)	(30,655)	792,721
Net Assets at Beginning of Year	6,146,555	4,882,677	11,029,232	10,236,513
Net Assets at End of Year	$ 6,209,337	$ 4,789,240	$ 10,998,577	$ 11,029,234

See notes to the financial statements.

Exhibit B

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	$ (30,655)	$ 792,721
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized (gain) on investments	(692,018)	(267,206)
Unrealized (gain) loss on investments	471,796	(620,690)
Decrease in:		
Accrued income receivable	(327)	4,456
Increase in:		
Accounts payable	4,113	479
Net cash (used) by operating activities	(247,091)	(90,240)
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	15,977,227	7,168,534
Purchase of investments	(15,724,331)	(7,063,552)
Net cash provided by investing activities	252,896	104,982
Net Increase in Cash and Cash Equivalents	5,805	14,742
Cash and Cash Equivalents at Beginning of Year	24,443	9,701
Cash and Cash Equivalents at End of Year	$ 30,248	$ 24,443

See notes to the financial statements.

Exhibit C

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. **Organization, Contributions and Benefits:**

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

2. **Summary of significant Accounting Policies:**

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

(a) *Accrual Basis Financial Statements*

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

(b) *Net Assets*

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

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

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

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

(c) *Prior-Year summarized Comparative Information*

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Continued

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

(d) *Contributions*

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

(e) *Cash and Cash Equivalents*

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

(f) *Fair Value Measurements*

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

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

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

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

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

(g) *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.

Continued

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

(h) *Tax Exempt Status*

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

(i) *Use of Estimates*

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

3. **Investments:**

Investments are recorded at fair value and consist of the following at December 31, 2014:

	Fair Value	Hierarchy
Cash and cash equivalents	$ 260,225	Level 1
Equities:		
U.S. Large Cap	3,628,261	Level 1
U.S. Mid Cap	759,577	Level 1
U.S. Small Cap	229,145	Level 1
International Developed	197,753	Level 1
Emerging Markets	74,437	Level 1
Total Equities	4,889,173	
Mutual Funds:		
Equities:		
Internal Developed	830,175	Level 1
Emerging Markets	258,928	Level 1
Fixed Income:		
Investment Grade	3,703,846	Level 1
Global High Yield	370,766	Level 1
Real Estate	320,343	Level 1
Commodities	251,991	Level 1
Total mutual funds	5,736,049	
Total investments	$ 10,885,447	

Continued

3. **Investments** (Continued):

Equities and mutual funds are obtained from real-time quotes for transactions in active exchange markets involving identical assets (Level 1).

The components of investment gains for the year ended December 31, 2014 is as follows:

Realized gains	$ 692,018
Unrealized losses	(471,796)
	$ 220,222

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, 2014.

8. **Income Taxes:**

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

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the fund may recognize the tax benefit from an uncertain tax position

Continued

8. **Income Taxes:** (Continued)

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 Fund and various position related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2014 and 2013.

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

9. **Subsequent Events:**

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through April 7, 2015, the date the financial statements were available to be issued.

Concluded