

**THE NEW ENGLAND ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED DECEMBER 31, 2012**

**THE NEW ENGLAND ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

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REPORT OF INDEPENDENT AUDITORS

To the Council on Finance and Administration
and the Board of Trustees
**The New England Annual Conference of
the United Methodist Church**

We have audited the accompanying financial statements of The New England Annual Conference of the United Methodist Church, which comprise the statement of financial position as of December 31, 2013, 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.

Auditors' 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 from 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 auditors' 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.

Basis for Qualified Opinion

As described in Note 1 to the financial statements, the value of certain real property transferred to the Conference in 1993 was estimated by management to be \$5,849,459. We were unable to satisfy ourselves regarding the method used to value these assets.

The Conference's 2013 financial statements do not disclose the changes in the accrued retiree health care benefit obligation and the components of the retiree health care benefits charged to expense. In our opinion, disclosure of that information is required to conform with accounting principles generally accepted in the United States of America. Management believes it is not cost beneficial to develop the information.

Qualified Opinion

In our opinion, except for the matters discussed in the preceding two paragraphs, the 2013 financial statements referred to above present fairly, in all material respects, the financial position of The New England Annual Conference of the United Methodist Church at December 31, 2013, 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.

Other Matter

The prior year summarized comparative information has been derived from the Conference's 2012 financial statements, and in its report dated August 29, 2013, Marcum LLP expressed a qualified opinion on those statements because (1) we were unable to satisfy ourselves regarding the method used to value certain real property transferred to the Conference in 1993 that was estimated by management to be \$5,849,459 and (2) the Conference had not determined the cost of its retiree health care defined benefit plan in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining information on pages 31 through 36 and the supplemental schedule on page 37 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 as of and for the year ended December 31, 2013 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, except for the effects on the supplementary information of any such adjustments pertaining to real property transferred to the Conference in 1993, as explained in the sixth paragraph of our report on page 1, and the determination of the cost of its retiree health care defined benefit plan and related disclosures as explained in the seventh paragraph of our report on page 1, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marcum LLP

Boston, MA
July 22, 2014

**THE NEW ENGLAND ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2012)

	2013	2012
Assets		
Cash and cash equivalents	\$ 4,439,294	\$ 4,414,308
Accounts receivable	768,981	605,091
Investments, at fair value	58,468,343	50,577,253
Notes receivable	1,209,178	1,296,994
Unconditional promises to give, net	425,738	1,142,485
Property, plant and equipment, net	7,240,427	7,412,410
Other assets	194,045	5,584
	\$ 72,746,006	\$ 65,454,125
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 125,683	\$ 62,574
Mortgage notes payable	64,910	188,400
Other liabilities	562,940	677,935
Accrued retiree health care benefits (Note 11)	48,460,828	48,460,828
Total Liabilities	49,214,361	49,389,737
 Net Assets		
Unrestricted:		
Board designated	20,103,387	18,831,961
Other	(8,523,481)	(13,567,780)
Total unrestricted	11,579,906	5,264,181
Temporarily restricted	717,540	628,562
Permanently restricted	11,234,199	10,171,645
Total Net Assets	23,531,645	16,064,388
	\$ 72,746,006	\$ 65,454,125

The accompanying notes are an integral part of these financial statements.

THE NEW ENGLAND ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Operating Revenues					
Churches:					
Mission Shares	\$ 5,921,659	\$ --	\$ --	\$ 5,921,659	\$ 5,846,712
Pensions and health insurance	7,839,980	--	--	7,839,980	8,879,974
Property insurance plan	2,750,053	--	--	2,750,053	2,383,668
Workers' compensation insurance	<u>207,465</u>	<u>--</u>	<u>--</u>	<u>207,465</u>	<u>181,164</u>
Total churches	16,719,157	--	--	16,719,157	17,291,518
Registrations, general church, gifts and other contributions	1,479,903	--	--	1,479,903	963,125
Camping fees and gifts	1,704,388	--	--	1,704,388	1,689,262
Grant income	588,274	--	--	588,274	30,241
Rental income, net	27,520	--	--	27,520	27,750
Other income	<u>45,523</u>	<u>--</u>	<u>--</u>	<u>45,523</u>	<u>40,063</u>
Total Operating Revenues	<u>20,564,765</u>	<u>--</u>	<u>--</u>	<u>20,564,765</u>	<u>20,041,959</u>

The accompanying notes are an integral part of these financial statements.

THE NEW ENGLAND ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Operating Expenses					
Program:					
World Missions	\$ 1,315,856	\$ --	\$ --	\$ 1,315,856	\$ 1,359,907
New England Missions	1,102,020	--	--	1,102,020	1,026,133
Ministry support	2,817,623	--	--	2,817,623	2,668,521
Camps, Conference Center	1,699,860	--	--	1,699,860	1,894,806
Pensions and health benefits	8,960,663	--	--	8,960,663	8,746,895
Net periodic retiree health care benefit cost	--	--	--	--	7,938,921
Insurance plans	2,732,512	--	--	2,732,512	2,665,835
Other causes	2,455,930	--	--	2,455,930	1,003,288
Capital campaign disbursements:					
Local church	--	--	--	--	85,081
International covenants	95,000	--	--	95,000	85,240
Camps	--	--	--	--	28,580
Total capital campaign disbursements	95,000	--	--	95,000	198,901
Conference property	424,373	--	--	424,373	327,367
Scholarships	25,910	--	--	25,910	28,007
Other	107,617	--	--	107,617	78,407
Total program	21,737,364	--	--	21,737,364	27,936,988
Fundraising	195	--	--	195	712
Management and general	871,590	--	--	871,590	813,591
Total Operating Expenses	<u>22,609,149</u>	<u>--</u>	<u>--</u>	<u>22,609,149</u>	<u>28,751,291</u>
Changes from Operating Activities	<u>(2,044,384)</u>	<u>--</u>	<u>--</u>	<u>(2,044,384)</u>	<u>(8,709,332)</u>

The accompanying notes are an integral part of these financial statements.

THE NEW ENGLAND ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Non-Operating Revenues (Expenses)					
Investment income, net	\$ 3,998,997	\$ 275,804	\$ --	\$ 4,274,801	\$ 1,896,779
Net realized and unrealized appreciation on investments	1,224,354	2,785	945,265	2,172,404	1,809,539
Gains from abandoned church property sales and/or assumption of church assets	724,723	--	--	724,723	298,602
Gains from sales of property, plant and equipment	--	--	--	--	180,766
Transfer from GBOPHB pension plan	2,200,609	--	--	2,200,609	6,658,632
Net endowment allocation	52,516	--	(52,516)	--	--
Contributions	--	564	169,805	170,369	59,171
Write-off of capital campaign pledges	(31,265)	--	--	(31,265)	(427,706)
Net assets released from restrictions: Satisfaction of program restrictions	<u>190,175</u>	<u>(190,175)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Changes from Non-Operating Activities	<u>8,360,109</u>	<u>88,978</u>	<u>1,062,554</u>	<u>9,511,641</u>	<u>10,475,783</u>
Change in Net Assets	6,315,725	88,978	1,062,554	7,467,257	1,766,451
Net Assets, Beginning of Year	5,264,181	628,562	10,171,645	16,064,388	13,356,155
Transfer from Troy Conference	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>941,782</u>
Net Assets, End of Year	<u>\$ 11,579,906</u>	<u>\$ 717,540</u>	<u>\$ 11,234,199</u>	<u>\$ 23,531,645</u>	<u>\$ 16,064,388</u>

The accompanying notes are an integral part of these financial statements.

**THE NEW ENGLAND ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2012)**

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ 7,467,257	\$ 1,766,451
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Accretion of discount on unconditional promises to give	(49,068)	(65,317)
Depreciation and amortization	296,326	281,833
Gains from abandoned church property sales and/or assumption of church assets	(724,723)	(298,602)
Gains from sales of property, plant and equipment	--	(180,766)
Net realized and unrealized appreciation on investments	(2,172,404)	(1,809,539)
(Increase) decrease in:		
Accounts receivable	(163,890)	15,110
Unconditional promises to give, net	765,815	475,218
Other assets	(188,461)	208,474
Increase (decrease) in:		
Accounts payable	63,109	(36,517)
Other liabilities	(114,995)	102,172
Accrued retiree health care benefits	--	7,938,921
Total adjustments	<u>(2,288,291)</u>	<u>6,630,987</u>
Net Cash Provided by Operating Activities	<u>5,178,966</u>	<u>8,397,438</u>
Cash Flows from Investing Activities		
Purchases of investments	(7,518,585)	(13,642,955)
Proceeds from sales of investments	1,799,899	979,051
Proceeds from sales of property, plant and equipment	--	300,933
Repayments of notes receivable	237,816	75,796
Advances on notes receivable	(150,000)	(456,500)
Purchases of property, plant and equipment	(124,343)	(12,657)
Proceeds from abandoned church property sales and/or assumption of church assets	724,723	298,602
Transfer from Troy Conference	--	941,782
Net Cash Used in Investing Activities	<u>(5,030,490)</u>	<u>(11,515,948)</u>

The accompanying notes are an integral part of these financial statements.

**THE NEW ENGLAND ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

STATEMENT OF CASH FLOWS (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2012)**

	<u>2013</u>	<u>2012</u>
Cash Flows from Financing Activities		
Repayments of mortgage notes payable	\$ (123,490)	\$ (18,423)
Net Cash Used in Financing Activities	<u>(123,490)</u>	<u>(18,423)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	24,986	(3,136,933)
Cash and Cash Equivalents, Beginning of Year	<u>4,414,308</u>	<u>7,551,241</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,439,294</u>	<u>\$ 4,414,308</u>
Supplemental Disclosures		
Interest paid during the year	<u>\$ 10,651</u>	<u>\$ 8,700</u>

The accompanying notes are an integral part of these financial statements.

THE NEW ENGLAND ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2012)

NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The New England Annual Conference of the United Methodist Church (the Conference) is one of several conferences in the United States participating in the mission and ministry of the United Methodist denomination. The *Book of Discipline* of the United Methodist Church sets forth certain organizational requirements for annual conferences. The Conference is a not-for-profit, religious corporation organized under the laws of Massachusetts. The financial statements issued by the Conference present a combination of three separate parts: “the Trustees” whose activities are to receive and invest funds from local churches and conference organizations and from bequests and other gifts, real or personal, to the Conference and distribute the earnings on the investments in accordance with the specific terms of the sources of the funds, and hold title to all real property of the Corporate Entity; “the Conference” which carries on operational and administrative activities and “the Board of Global Ministries, Inc.” which carries on the activities of the Board of Global Ministries, Inc., which consist of 1) making disciples of Jesus Christ, 2) strengthening, developing and renewing Christian congregations and communities, 3) alleviating human suffering and 4) seeking justice, freedom and peace.

During July 2010, as part of a realignment of conferences prescribed by the General Church, the United Methodist churches of Vermont that were previously part of the Troy Conference joined the New England Conference. Certain assets consisting of cash and investment securities were transferred from the Troy Conference to the New England Conference as part of this realignment.

The financial statements of The New England Annual Conference of the United Methodist Church do not include three other organizations with which the Conference is affiliated: United Methodist Foundation of New England (Foundation), Methodist Conference Home, Inc. (Conference Home) and United Methodist Elder Care and Subsidiaries (Elder Care) as there is no common control.

BASIS OF PRESENTATION

The financial statements are prepared on the accrual basis of accounting in accordance with the *Presentation of Financial Statements* topic of the Financial Accounting Standards Board (“FASB”) *Accounting Standards Codification* (“ASC”). Accordingly, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

**THE NEW ENGLAND ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2012)**

**NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

BASIS OF PRESENTATION (CONTINUED)

Accordingly, net assets of the Conference and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations. The Conference further subdivides this classification into a) Board designated net assets, which have been designated by Board action for specific purposes; and b) other unrestricted net assets.

Temporarily Net Assets

Net assets subject to donor-imposed stipulations that may or will be met whether by actions of the Conference or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Conference. Generally, the donors of these assets permit the Conference to use all or part of the earnings on related investments for general or specific purposes.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of money market accounts and savings accounts with original maturities of ninety days or less. Cash equivalents included in the long-term investment portfolio are classified as investments. At times, the Conference maintains deposits with financial institutions which exceed federally insured limits. The Conference has not experienced any losses from such concentrations.

ACCOUNTS AND NOTES RECEIVABLE AND ALLOWANCES FOR UNCOLLECTIBLE

Accounts and notes receivable are stated at the amount management expects to collect from balances outstanding at year-end. When considered necessary, management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts would be written off through a charge to the valuation allowance and a credit to accounts or notes receivable. No allowances were deemed necessary by management as of December 31, 2013 and 2012.

**THE NEW ENGLAND ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2012)**

**NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

INVESTMENT VALUATION AND REVENUE RECOGNITION

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 12 for the discussion on fair value. Purchases and sales of securities are recorded on a trade date basis – interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Interest and dividend income comprise investment income. Investment income and realized and unrealized gains and losses are included in the Statement of Activities. The Conference reports investment income net of the related investment expense.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Conference's financial instruments consist of promises to give, investments, notes receivable and mortgage notes payable. The fair value of promises to give is estimated based upon the net present value of estimated cash flows discounted at five percent with the timing of the estimated cash flow. The fair value of investments is based upon values provided by the external investment managers or quoted market values. The fair value of notes receivable and mortgage notes payable approximate their carrying value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts, with the exception of property transferred to the Conference in 1993, which management of the Conference estimated to be \$5,849,459.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or applicable lease term, if shorter, as follows:

Buildings and building equipment	25 to 40 years
Land improvements	10 to 40 years
Leasehold interest	25 years
Equipment	4 to 10 years

The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and any resulting gains or losses are accounted for in the Statement of Activities.

**THE NEW ENGLAND ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2012)**

**NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

CONTRIBUTIONS

Contributions received, including unconditional promises to give, are recognized as revenues when a donor's commitment is received. Contributions with donor-imposed restrictions are recorded as either temporarily restricted net assets until the restrictions are met or as permanently restricted net assets. At the time the temporary restrictions are met, these contributions are reported as net assets released from restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated cash flows after an allowance for estimated uncollectible contributions is provided. The discounts on these amounts are computed using a 5% interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

AGENCY FUNDS

The Conference serves as a clearinghouse for numerous United Methodist organizations. The operation allows local churches to collect funds for causes such as missionary support, disaster relief, campus ministries and other church supported operations. The funds collected by local churches are remitted to the Conference Treasurer, who then forwards these receipts to the beneficiary agencies.

OPERATING AND NON-OPERATING ACTIVITIES

The operating activities of the Conference include all income and expenses related to carrying out its mission. Non-operating activities include investment income, net realized and unrealized appreciation (depreciation) on investments, gain from abandoned church property sales and/or assumption of church assets, gains from sales of property, plant and equipment, transfers from the GBOPHB pension plan, net endowment allocation and net assets released from restrictions. Contributions that are considered to have been received outside of the normal course of business have also been classified as non-operating revenues.

TAX STATUS

The Conference is recognized as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

**THE NEW ENGLAND ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2012)**

**NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

TAX STATUS (CONTINUED)

The Conference recognizes and measures its unrecognized tax positions in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, the Conference assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. The Conference has not identified any such positions requiring accrual or disclosure. Interest and penalties, if any, are recorded within management and general expenses. The Conference is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Conference's income tax returns are open to examination by tax jurisdictions, generally for three years from the date the returns are filed.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for uncollectible promises to give and notes receivable.

COMPARATIVE FINANCIAL 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 separate financial statements for the year ended December 31, 2012, from which the summarized information was derived.

**THE NEW ENGLAND ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2012)**

**NOTE 1 - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 22, 2014, which is the date the financial statements were available to be issued. No events or transactions have been identified that would require adjustment to or disclosure in the financial statements.

NOTE 2 - PROMISES TO GIVE

Promises to give, less an allowance for uncollectible amounts, are recorded at their present value in the year made. The net present value is determined by applying a discount rate of five percent to the expected annual cash flows from the collection of the promises to give to determine fair value. The outstanding promises to give were as follows at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Promises to give expected due in:		
Less than one year	\$ 1,923,507	\$ 2,376,738
One to five years	<u>463,046</u>	<u>775,630</u>
	2,386,553	3,152,368
Less allowance for uncollectible promises to give	(1,917,766)	(1,917,766)
Less discount for net present value	<u>(43,049)</u>	<u>(92,117)</u>
Total unconditional promises to give, net	<u>\$ 425,738</u>	<u>\$ 1,142,485</u>

Unconditional promises to give due in more than one year are discounted to net present value at a rate of 5%.

**THE NEW ENGLAND ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2012)**

NOTE 3 - INVESTMENTS

The Conference invests in a combination of money market funds, mutual funds and certificates of deposit. Investments are stated at estimated fair value. Investments held by the Conference as of December 31, 2013 and 2012 consisted of the following:

	2013	2012
Certificates of deposit	\$ 560,194	\$ 860,061
Deposit managed by Essex County		
Community Foundation	14,734	11,250
Investments managed by the United Methodist		
Foundation of New England:		
Money Market Fund	2,399,355	1,354,639
Balanced Growth Fund	--	85,238
Balanced Income Fund	--	159,588
Alternative Pool	1,447,842	1,220,990
Stock Fund	17,920,966	15,017,338
Fixed Income Pool	12,454,789	13,505,257
Deposits with the General Board of Pension and		
Health Benefits of the United Methodist Church:		
Retiree Medical	14,466,291	8,470,772
Health Insurance Fund	6,192,724	4,021,217
Deposit	1,105,231	989,775
Benefit Stabilization	1,791,573	1,497,261
Gammons Bequest	114,644	3,383,867
	\$ 58,468,343	\$ 50,577,253

Reference is made to Note 12 - Fair Value Measurements.

Investments managed by the United Methodist Foundation of New England are held in custody by Charles Schwab Institutional. The Foundation is affiliated with the Conference as a United Methodist Agency. Deposits with the General Board of Pension and Health Benefits of the United Methodist Church are held in custody by Wespath Investment Management.

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NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at December 31, 2013:

	2013	2012
Land	\$ 3,915,419	\$ 3,915,419
Land improvements	200,145	200,145
Buildings and building improvements	7,264,842	7,264,842
Leasehold interest	326,545	326,545
Equipment	173,683	49,340
Construction in process	12,657	12,657
	11,893,291	11,768,948
 Accumulated depreciation	 (4,652,864)	 (4,356,538)
	 \$ 7,240,427	 \$ 7,412,410

Under direction of Church officials, titles to several properties and corresponding mortgages were transferred from various local Church organizations to the Conference in 1993. This property was recorded at its estimated fair market value as determined through discussions with real estate professionals, insurance values, or recent sales of similar property in the same geographic vicinity.

The Conference holds title to, and has certain fiduciary responsibilities for these and other properties of the United Methodist Church. In connection with the adoption of FASB ASC 958 *“Recognition of Depreciation by Not-For-Profit Organizations,”* commencing January 1, 1994, the Conference began to depreciate these properties in 1995.

Total depreciation expense for the years ended December 31, 2013 and 2012 was \$296,326 and \$281,833, respectively.

From time to time, the Conference assumes titles to churches deemed to be “abandoned” by vote at the Annual Conference. The Conference has made certain designations regarding the use of the proceeds related to the sale of these properties.

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NOTE 5 - MORTGAGE NOTES PAYABLE

Mortgage notes payable consisted of the following at December 31, 2013:

Mortgage note payable to a bank in monthly installments of \$467 (including interest of 3.125% at December 31, 2013) through May, 2028, secured by a mortgage on property located in Reading, Massachusetts \$ 64,910

Year ending December 31:

2014	\$	3,000
2015		3,221
2016		3,458
2017		3,713
2018		3,986
Thereafter		<u>47,532</u>
 Total	 \$	 <u>64,910</u>

During the year ended December 31, 2013, the Conference charged \$10,700 to interest expense.

NOTE 6 - UNRESTRICTED - BOARD DESIGNATED NET ASSETS

Unrestricted net assets have been designated for certain purposes at December 31, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Reserve funds	\$ 383,520	\$ 372,972
Camps, Conference Center	1,750,141	1,761,690
Gammons/Fulton bequest	114,644	52,886
Pensions and ministerial support	4,776,412	4,283,754
Local church	1,505,355	1,403,959
Scholarships	852,402	804,135
Other program specific	<u>10,720,913</u>	<u>10,152,565</u>
	<u>\$ 20,103,387</u>	<u>\$ 18,831,961</u>

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NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2013 and 2012:

	2013	2012
Local churches	\$ 96,154	\$ 97,580
Other program specific	621,386	530,982
	\$ 717,540	\$ 628,562

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is designated for specific purposes. The Conference considers that the realized and unrealized appreciation on permanently restricted net assets is subject to donors' explicit and implicit restrictions that they are permanently restricted. Subject to the use of the total return concept using a three year rolling average, a portion of the appreciation is used for income distribution purposes. Permanently restricted net assets consist of the following at December 31, 2013 and 2012:

	2013	2012
Pensions and ministerial support	\$ 8,808,873	\$ 7,877,748
Local churches	595,211	496,688
Scholarships	458,716	441,373
Camps	31,126	29,468
Other purposes	1,340,273	1,326,368
	\$ 11,234,199	\$ 10,171,645

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NOTE 9 - RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donors.

Net assets released from restrictions during the year ended December 31, 2013 were as follows:

Local churches	\$ 7,357
Other program specific	<u>182,818</u>
Total released	<u>\$ 190,175</u>

NOTE 10 - PENSION PLANS

Since January 1, 2007, substantially all ministers of the Conference have been covered by the Clergy Retirement Security Plan (CRSP), which is administered by the General Board of Pensions and Health Benefits of The United Methodist Church (GBOPHB). CRSP is a multi-employer plan with defined benefit and defined contribution components. CRSP was authorized by action of the 2004 General Conference of The United Methodist Church and replaced the Ministerial Pension Plan (MPP), which replaced the Minister's Reserve Pension Fund (MRPF) in January 1, 1982. All existing MPP accounts continue to be invested and benefits paid as before.

Under MPP Supplement, for service prior to January 1, 1982, pension expense represents payment for prior service as determined by the actuaries of the GBOPHB based on an actuarial valuation as of January 1, 2013. Contributions are determined annually, within certain guidelines, by the Annual Conference. No contributions were made to the plan during 2013.

At December 31, 2013, the GBOPHB held for the Conference a balance of approximately \$52,309,000 to fund past service contributions of approximately \$48,460,000 as they become actuarially due or as voted by the Annual Conference. While the over-funding is attributable to the Conference, the Conference would bear a proportion of the unfunded liability of another annual conference with an over-funded amount, should that conference default on its pension obligation.

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NOTE 10 - PENSION PLANS (CONTINUED)

Under MPP, for service after December 31, 1981 and prior to January 1, 2007, pension expense represents payment for prior contributions as determined by the actuaries of the GBOPHB based on an actuarial valuation as of January 1, 2013. Contributions are determined by the GBOPHB. No contributions were made to the MPP plan during 2013 as the plan was over-funded.

Contributions under CRSP are based on two components. The first is the pastor's appointment time converted to a full-time equivalent, in quarter-time increments used to determine the defined benefit portion. The second is 3% of the pastor's plan compensation (which is figured on 125% of the base pay for those pastors living in church provided housing or base pay plus the housing allowance amount paid to pastors in lieu of housing being provided) used to determine the defined contribution portion. Contributions to the defined benefit component totaling \$2,200,609 were made during 2013 via transfer from the MPP Supplement over-funding.

Contributions to the defined contribution component totaling \$482,631 were made during 2013. In addition, the Conference submits 3.4% of the pastor's plan compensation, which is placed in a pooled account to provide disability and death benefits. During 2013, the Conference contributed \$463,373 to this comprehensive protection plan. Previously, the GBOPHB declared a three year holiday for contributions to this plan due to the plan having adequate funding. This holiday ended in 2012.

All full-time lay employees of the Conference are provided disability and death benefits covered by the UMLifeOptions plan of the GBOPHB which are based on a formula using individual ages and salary. The Conference makes a contribution based on 12% of each staff's salary to the United Methodist Pension Investment Plan (UMPIP). During 2013, the Conference contributed \$18,010 to UMLifeOptions and \$122,256 to UMPIP.

Total contributions to these pension plans amounted to \$3,286,879 for the year ended December 31, 2013.

NOTE 11 – RETIREE HEALTH CARE BENEFITS

The Conference sponsors a multiple-employer defined benefit postretirement health care plan for active and retired ministers of the Conference and its member churches, and retired eligible lay employees of the Conference. The plan is contributory, whereby the retiree contributions can be adjusted for increases in the costs of health care. The plan is unfunded.

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NOTE 11 – RETIREE HEALTH CARE BENEFITS (CONTINUED)

The recognition provisions of FASB ASC 715 “*Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans,*” require an employer to recognize in its statement of financial position as an asset or liability the over-funded or under-funded status of a defined benefit postretirement plan, measured as the difference between the fair value of plan assets and the benefit obligation. For a defined benefit postretirement plan, the benefit obligation is the projected benefit obligation.

Due to the cost prohibitive nature of obtaining such information, the Conference did not determine the net periodic benefit cost of this defined benefit postretirement plan as of and for the year ended December 31, 2013, in accordance with accounting principles generally accepted in the United States of America, which require the cost of employees’ postretirement benefits to be recognized over the employees’ respective service periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. The plan’s latest valuation date, for which a condensed actuarial valuation was performed, is December 31, 2012. The plan’s unfunded liability, valued as of December 31, 2012, is presented as “accrued retiree health care benefits” on the Statement of Financial Position.

NOTE 12 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy 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 FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Conference has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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NOTE 12 – FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in these methodologies used at December 31, 2013 and 2012.

Investments at UMFNE and Deposits with ECCF and GBOPHB – The Conference's investments at the Foundation, and its deposits with ECCF and the General Board of Pensions and Health Benefits are valued at the net asset value as provided by those entities, which are based primarily on the estimated fair value of the underlying assets. The Conference categorizes these investments as level 2 instruments, as nearly all of the underlying investment securities held by these entities are generally level 1 or level 2 securities.

Certificates of Deposit – Certificates of deposit are reported at the dollar amount deposited plus interest accrued at the certificate's rate at the purchase date, which approximates fair value.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Conference believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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NOTE 12 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Conference’s fair value measurements at December 31, 2013:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Certificates of deposit	\$ 560,194	\$ --	\$ --	\$ 560,194
Deposit with ECCF	14,734	--	--	14,734
Investments at UMFNE	--	34,222,952	--	34,222,952
Deposit with GBOPHB	<u>--</u>	<u>23,670,463</u>	<u>--</u>	<u>23,670,463</u>
	<u>\$ 574,928</u>	<u>\$ 57,893,415</u>	<u>\$ --</u>	<u>\$ 58,468,343</u>

The following table sets forth by level, within the fair value hierarchy, the Conference’s fair value measurements at December 31, 2012:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Certificates of deposit	\$ 860,061	\$ --	\$ --	\$ 860,061
Deposit with ECCF	11,250	--	--	11,250
Investments at UMFNE	--	31,343,050	--	31,343,050
Deposit with GBOPHB	<u>--</u>	<u>18,362,892</u>	<u>--</u>	<u>18,362,892</u>
	<u>\$ 871,311</u>	<u>\$ 49,705,942</u>	<u>\$ --</u>	<u>\$ 50,577,253</u>

There were no transfers to or from levels 1, 2 and 3 during the years ended December 31, 2013 and 2012.

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NOTE 12 - FAIR VALUE MEASUREMENTS (CONTINUED)

Information relating to fair value measurements of United Methodist Foundation of New England and Wespath Investment Management investments in certain entities that calculate net asset value per share (Level 2 investments) is as follows at December 31, 2013 and 2012:

	Fair Value		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
	2013	2012			
Managed by United Methodist Foundation of New England:					
Money Market Fund (a)	\$ 2,399,355	\$ 1,354,639	\$ --	Daily	1 business day prior to intended trade date.
Balanced Growth Fund (b)	--	85,238	--	Monthly	None
Balanced Income Fund (c)	--	159,588	--	Monthly	None
Alternative Pool (d)	1,447,842	1,220,990	--	Monthly	None
Stock Fund (e)	17,920,966	15,017,338	--	Monthly	None
Fixed Income Pool (f)	<u>12,454,789</u>	<u>13,505,257</u>	--	Monthly	None
Subtotal	<u>34,222,952</u>	<u>31,343,050</u>	--		
Managed by Wespath Investment Management:					
Inflation Protection Fund (g)	353,792	467,965	--	No Restrictions	None
Fixed Income Fund (h)	164,405	154,343	--	No Restrictions	None
Multiple Asset Fund (i)	22,736,887	17,033,960	--	No Restrictions	None
International Equity Fund (j)	264,974	211,090	--	No Restrictions	None
Short Term Investment Fund (k)	<u>150,405</u>	<u>495,534</u>	--	No Restrictions	None
Subtotal	<u>23,670,463</u>	<u>18,362,892</u>	--		
Total	<u>\$ 57,893,415</u>	<u>\$ 49,705,942</u>	\$ --		

- (a) The objective of the Money Market Fund is to provide as high a level of current income as is consistent with liquidity and the preservation of capital. All cash and equivalent investments should be made with concern for quality. To that end, investments will be limited to commercial paper rated “A-1” by Standard & Poor’s or “P-I” by Moody’s, certificates of deposit, securities issued or guaranteed by the U.S. Government and perfected repurchase agreements.
- (b) The Balanced Growth Fund offers a primary objective of long-term growth of capital, with a secondary objective of current income. The target asset allocation of the portfolio is 57% Stock Fund, 38% Fixed Income Pool, and 5% Alternative Pool.
- (c) The Balanced Income Fund offers a primary objective of current income, with a secondary objective of long-term growth of capital. The target asset allocation of this portfolio is 38% Stock Fund, 57% Fixed Income Pool, and 5% Alternative Pool.

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NOTE 12 - FAIR VALUE MEASUREMENTS (CONTINUED)

- (d) The objective of the Alternative Pool is to broaden the diversification of the Foundation's investment portfolios by including investments that cannot be categorized as either fixed – income or equity investments and which are not typically correlated with fixed-income or equity assets in their performance. Assets in this category should be liquid and provide the investor with a current yield. The amount of assets in this pool shall not exceed 15% of total assets under management.
- (e) The objective of the Stock Fund is long-term growth of capital, with current income as a secondary goal. The asset allocation of the Stock Fund is 65%-80% domestic equities and 20%-35% international equities, determined with reference to an index-based investment strategy involving two broadly diversified equity indexes which are periodically screened according to the Foundation's social responsibility guidelines. The index forming the basis of the domestic equity portfolio is the Russell 300 Index, while the index forming the basis for the international equity portfolio is the All Country World Index ex – U.S. (ACWI ex US), which includes both developed and emerging international markets.
- (f) The objective of the Fixed-Income Pool is to provide current income and preservation of nominal principal by being fully invested in fixed-income securities whose ratings are considered "investment grade" by both Standard & Poor's Corporation (BBB or higher) and Moody's Investors Service (Baa or higher), provided, however, that no more than 10% of the bond portfolio shall be in issues rated BBB/Baa. The Foundation's Loan Program, which is internally managed, is also accounted for by the Foundation as a part of the Fixed-Income Pool. Under current Loan Program guidelines, which are subject to modification by the Investment Committee, loans may be outstanding in an aggregate amount equal to 25% of total assets in the Fixed-Income Pool when secured by real estate or other assets, with an additional amount equal to 5% of total assets in the Fixed-Income Pool available for loans secured by liquid financial assets held by the Foundation.
- (g) The Inflation Protection Fund's investment objective is to provide investors with current income and protect principal from loss of purchasing power due to inflation. The fund holds U.S. and foreign fixed-income securities. Additionally, the fund invests in commodity futures contracts.

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NOTE 12 - FAIR VALUE MEASUREMENTS (CONTINUED)

- (h) The Fixed Income Fund's investments objective is to earn current income by investing in a broad mix of fixed-income instruments. Although a majority of the fund invests in publicly traded U.S. fixed-income securities, the fund also holds fixed-income instruments denominated in currencies other than the U.S dollar. Additionally, the fund holds privately placed loans originated by the PSP Lending Program.
- (i) The Multiple Asset Fund's investment objective is to maximize long-term investment returns, including current income and capital appreciation, while reducing short-term risk by investing in a broad mix of investments. The fund is a "fund of funds" and holds a pre-specified allocation of units of the U.S. Equity Fund, International Equity Fund, Fixed Income Fund and Inflation Protection Fund.
- (j) The International Equity Fund's investment objective is to earn long-term capital appreciation from a broadly diversified portfolio of foreign equities. Additionally, the fund holds interests in REITs and private real estate partnerships located in foreign countries. The fund may also invest in private equity (e.g. buyout funds and venture capital).
- (k) The Short Term Investment Fund's objective is to maximize income consistent with preservation of capital. The Fund holds cash and cash equivalents in the form of units of a daily cash sweep account.

NOTE 13 - CONTRIBUTED SERVICES

A substantial number of unpaid volunteers have made significant contributions of time to various activities of the Conference. The value of this contributed time is not reflected in the accompanying financial statements, as it is not readily susceptible to objective measurement or valuation and/or does not meet the criteria for recognition.

NOTE 14 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Costs identified with specific programs and other activities are charged directly and there is no allocation of management and general expenses to programs.

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NOTE 15 - CONCENTRATION OF CREDIT RISK

The Conference maintains cash deposits in several banks located in New England. Deposits in the banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to the applicable FDIC limits. At various times throughout the year, the Conference's balances may exceed federally insured limits.

The Conference has a significant portion of its assets invested with the United Methodist Foundation of New England (the "Foundation"). The Foundation, which was organized to accept and administer funds for the Conference, local churches and other institutions, agencies and Boards of The United Methodist Church, maintains a diversified investment portfolio and uses independent investment managers. The Conference does not believe that the concentration of investments with the Foundation would lead to any assumption of credit risk.

NOTE 16 - RELATED PARTY TRANSACTIONS

The United Methodist Foundation of New England (the Foundation) manages a portion of the Conference's investments. The Foundation charges administration fees ranging from .5% to 1.35% of assets under management depending on which investment fund or funds are selected for investment. Total administration fees charged by the Foundation amounted to approximately \$328,000 and \$292,000 for the years ended December 31, 2013 and 2012, respectively.

NOTE 17 - ENDOWMENT

The Conference's endowment consists of numerous individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Conference to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Conference has interpreted the Massachusetts version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and Massachusetts General Law Chapter 180A as generally permitting the spending of gains on permanently restricted net assets over a stipulated period of time absent explicit donor stipulations to the contrary. State law allows the board of trustees to appropriate all of the income and specified percentage of the net appreciation as is prudent considering the Conference's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

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NOTE 17 – ENDOWMENT (CONTINUED)

Under the Conference’s spending policy, which is deemed to be within the guidelines specified under state law, up to 5% of 12 quarters moving average of long-term investments is generally appropriated annually as approved by the Conference’s Trustees.

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 Conference must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Conference relies on a total return strategy in which investment 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 objectives within prudent risk constraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Conference has a policy of appropriating for distribution each year up to 5 percent of its endowment fund’s average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In considering this policy, the Conference took into account the long-term expected return on its endowment.

ENDOWMENT COMPOSITION AND CHANGES

Endowment net asset composition by type of fund as of December 31, 2013 is as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ --	\$ 717,540	\$ 11,234,199	\$ 11,951,739
Board designated endowment funds	<u>20,103,387</u>	<u>--</u>	<u>--</u>	<u>20,103,387</u>
	<u>\$ 20,103,387</u>	<u>\$ 717,540</u>	<u>\$ 11,234,199</u>	<u>\$ 32,055,126</u>

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NOTE 17 – ENDOWMENT – (CONTINUED)

Endowment net asset composition by type of fund as of December 31, 2012 is as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ --	\$ 628,562	\$ 10,171,645	\$ 10,800,207
Board designated endowment funds	<u>18,831,961</u>	<u>--</u>	<u>--</u>	<u>18,831,961</u>
	<u>\$ 18,831,961</u>	<u>\$ 628,562</u>	<u>\$ 10,171,645</u>	<u>\$ 29,632,168</u>

Changes in endowment net assets for the year ended December 31, 2013 are as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 18,831,961	\$ 628,562	\$ 10,171,645	\$ 29,632,168
Investment return:				
Investment income	3,998,997	275,804	--	4,274,801
Net realized and unrealized appreciation	<u>1,224,354</u>	<u>2,785</u>	<u>945,265</u>	<u>2,172,404</u>
Total investment return	5,223,351	278,589	945,265	6,447,205
Contributions	--	564	169,805	170,369
Write-off of pledges receivable	(31,265)	--	--	(31,265)
Appropriation of endowment assets for expenditure	<u>(3,920,660)</u>	<u>(190,175)</u>	<u>(52,516)</u>	<u>(4,163,351)</u>
Endowment net assets, end of year	<u>\$ 20,103,387</u>	<u>\$ 717,540</u>	<u>\$ 11,234,199</u>	<u>\$ 32,055,126</u>

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NOTE 17 – ENDOWMENT – (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2012 are as follows:

	Designated	Restricted	Restricted	Total
Endowment net assets, beginning of year	\$ 18,622,026	\$ 579,493	\$ 8,309,220	\$ 27,510,739
Investment return:				
Investment income	1,660,230	236,549	--	1,896,779
Net realized and unrealized appreciation	624,391	2,932	1,182,216	1,809,539
Total investment return	2,284,621	239,481	1,182,216	3,706,318
Contributions	--	--	59,171	59,171
Write-off of pledges receivable	(427,706)	--	--	(427,706)
Appropriation of endowment assets for expenditure	(1,646,980)	(190,412)	(31,796)	(1,869,188)
Transfer from unrestricted	--	--	652,834	652,834
Endowment net assets, end of year	<u>\$ 18,831,961</u>	<u>\$ 628,562</u>	<u>\$ 10,171,645</u>	<u>\$ 29,632,168</u>

NOTE 18 - RISKS AND UNCERTAINTIES

The Conference invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

THE NEW ENGLAND ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

COMBINING STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2013 (WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	Conference	Board of Global Ministries	Trustees	Eliminations	2013 Total	2012 Total
Assets:						
Cash and cash equivalents	\$ 3,288,368	\$ 152,256	\$ 998,670	\$ --	\$ 4,439,294	\$ 4,414,308
Accounts receivable, net	717,469	--	51,512	--	768,981	605,091
Investments, at fair value	27,624,871	393,313	30,450,159	--	58,468,343	50,577,253
Due from Conference	--	17,029	115,974	(133,003)	--	--
Due from Trustees	--	55,889	--	(55,889)	--	--
Notes receivable	--	268,854	940,324	--	1,209,178	1,296,994
Unconditional promises to give, net	425,738	--	--	--	425,738	1,142,485
Property, plant and equipment, net	--	--	7,240,427	--	7,240,427	7,412,410
Other assets	194,045	--	--	--	194,045	5,584
Total Assets	\$ 32,250,491	\$ 887,341	\$ 39,797,066	\$ (188,892)	\$ 72,746,006	\$ 65,454,125
Liabilities and Net Assets						
Liabilities:						
Accounts payable	\$ 117,742	\$ --	\$ 7,941	\$ --	\$ 125,683	\$ 62,574
Due to Board of Global Ministries	17,029	--	55,889	(72,918)	--	--
Due to Trustees	115,974	--	--	(115,974)	--	--
Mortgage note payable	64,910	--	--	--	64,910	188,400
Other liabilities	535,083	--	27,857	--	562,940	677,935
Accrued retiree health care benefits	48,460,828	--	--	--	48,460,828	48,460,828
Total Liabilities	49,311,566	--	91,687	(188,892)	49,214,361	49,389,737
Net Assets:						
Unrestricted:						
Board designated	498,164	--	19,605,223	--	20,103,387	18,831,961
Other	(17,975,906)	887,341	8,565,084	--	(8,523,481)	(13,567,780)
Total unrestricted	(17,477,742)	887,341	28,170,307	--	11,579,906	5,264,181
Temporarily restricted	--	--	717,540	--	717,540	628,562
Permanently restricted	416,667	--	10,817,532	--	11,234,199	10,171,645
Total Net Assets	(17,061,075)	887,341	39,705,379	--	23,531,645	16,064,388
Total Liabilities and Net Assets	\$ 32,250,491	\$ 887,341	\$ 39,797,066	\$ (188,892)	\$ 72,746,006	\$ 65,454,125

THE NEW ENGLAND ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

COMBINING STATEMENT OF ACTIVITIES – UNRESTRICTED (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013 (WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	Conference	Board of Global Ministries	Trustees	Eliminations	2013 Total	2012 Total
Operating revenues:						
Churches:						
Mission Shares	\$ 5,921,659	\$ --	\$ --	\$ --	\$ 5,921,659	\$ 5,846,712
Pensions and health insurance	7,839,980	--	--	--	7,839,980	8,879,974
Property insurance plan	2,750,053	--	--	--	2,750,053	2,383,668
Workers' compensation insurance	<u>207,465</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>207,465</u>	<u>181,164</u>
Total churches	16,719,157	--	--	--	16,719,157	17,291,518
Registrations, general church, gifts and other contributions	1,479,903	--	--	--	1,479,903	963,125
Camping fees and gifts	1,704,388	--	--	--	1,704,388	1,689,262
Grant income	588,274	--	--	--	588,274	30,241
Rental income, net	--	--	27,520	--	27,520	27,750
Other income	<u>--</u>	<u>--</u>	<u>45,523</u>	<u>--</u>	<u>45,523</u>	<u>40,063</u>
Total operating revenues	<u>20,491,722</u>	<u>--</u>	<u>73,043</u>	<u>--</u>	<u>20,564,765</u>	<u>20,041,959</u>

THE NEW ENGLAND ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

COMBINING STATEMENT OF ACTIVITIES – UNRESTRICTED (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013 (WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	Conference	Board of Global Ministries	Trustees	Eliminations	2013 Total	2012 Total
Operating expenses:						
Program:						
World Missions	\$ 1,315,856	\$ --	\$ --	\$ --	\$ 1,315,856	\$ 1,359,907
New England Missions	1,102,020	--	--	--	1,102,020	1,026,133
Ministry support	2,817,623	--	--	--	2,817,623	2,668,521
Camps, Conference Center	1,699,860	--	--	--	1,699,860	1,894,806
Pensions and health benefits	8,960,663	--	--	--	8,960,663	8,746,895
Net periodic post retiree health care benefit cost in accordance with FASB ASC 715	--	--	--	--	--	7,938,921
Insurance plans	2,732,512	--	--	--	2,732,512	2,665,835
Other causes	1,766,906	--	1,046,021	(356,997)	2,455,930	1,003,288
Capital campaign disbursements:						
Local church	--	--	--	--	--	85,081
International covenants	95,000	--	--	--	95,000	85,240
Camps	--	--	--	--	--	28,580
Total capital campaign disbursements	95,000	--	--	--	95,000	198,901
Conference property expenses:						
Building repairs and maintenance	--	--	116,474	--	116,474	36,261
Depreciation and amortization	--	--	296,326	--	296,326	281,833
Utilities	--	--	922	--	922	573
Interest	--	--	10,651	--	10,651	8,700
Total Conference property expenses	--	--	424,373	--	424,373	327,367
Scholarships	--	--	25,910	--	25,910	28,007
Other	--	5,703	101,914	--	107,617	78,407
Total program	20,490,440	5,703	1,598,218	(356,997)	21,737,364	27,936,988
Fundraising	195	--	--	--	195	712
Management and general	871,590	--	--	--	871,590	813,591
Total operating expenses	21,362,225	5,703	1,598,218	(356,997)	22,609,149	28,751,291
Changes from operating activities	(870,503)	(5,703)	(1,525,175)	356,997	(2,044,384)	(8,709,332)

THE NEW ENGLAND ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

COMBINING STATEMENT OF ACTIVITIES – UNRESTRICTED (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013 (WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	Conference	Board of Global Ministries	Trustees	Eliminations	2013 Total	2012 Total
Non-operating revenues (expenses):						
Investment income, net	\$ 3,791,890	\$ 24,206	\$ 539,898	\$ (356,997)	\$ 3,998,997	\$ 1,660,230
Net realized and unrealized appreciation on investments	--	--	1,224,354	--	1,224,354	624,391
Gains from abandoned church property sales and/or assumption of church assets	--	--	724,723	--	724,723	298,602
Gains from sales of property, plant and equipment	--	--	--	--	--	180,766
Transfer from GBOPHB pension plan	2,200,609	--	--	--	2,200,609	6,658,632
Net endowment allocation	--	--	52,516	--	52,516	31,796
Write-offs of capital campaign pledges	(31,265)	--	--	--	(31,265)	(427,706)
Net assets released from restrictions:						
Satisfaction of program restrictions	--	--	190,175	--	190,175	190,412
Changes from non-operating activities	<u>5,961,234</u>	<u>24,206</u>	<u>2,731,666</u>	<u>(356,997)</u>	<u>8,360,109</u>	<u>9,217,123</u>
Change in net assets	5,090,731	18,503	1,206,491	--	6,315,725	507,791
Net assets (deficit) - beginning of year	(22,568,473)	868,838	26,963,816	--	5,264,181	4,467,442
Transfer from Troy Conference	--	--	--	--	--	288,948
Net assets (deficit) - end of year	<u>\$ (17,477,742)</u>	<u>\$ 887,341</u>	<u>\$ 28,170,307</u>	<u>\$ --</u>	<u>\$ 11,579,906</u>	<u>\$ 5,264,181</u>

THE NEW ENGLAND ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

COMBINING STATEMENT OF ACTIVITIES – TEMPORARILY RESTRICTED

**FOR THE YEAR ENDED DECEMBER 31, 2013 (WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Conference	Board of Global Ministries	Trustees	Eliminations	2013 Total	2012 Total
Non-operating revenue (expenses):						
Contributions	\$ --	\$ --	\$ 564	\$ --	\$ 564	\$ --
Investment income, net	--	--	275,804	--	275,804	236,549
Net realized and unrealized appreciation on investments	--	--	2,785	--	2,785	2,932
Net assets released from restrictions: Satisfaction of program restrictions	--	--	(190,175)	--	(190,175)	(190,412)
Total net non-operating revenues	--	--	88,978	--	88,978	49,069
Change in net assets	--	--	88,978	--	88,978	49,069
Net assets - beginning of year	--	--	628,562	--	628,562	579,493
Net assets - end of year	\$ --	\$ --	\$ 717,540	\$ --	\$ 717,540	\$ 628,562

THE NEW ENGLAND ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

COMBINING STATEMENT OF ACTIVITIES – PERMANENTLY RESTRICTED

**FOR THE YEAR ENDED DECEMBER 31, 2013 (WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Conference	Board of Global Ministries	Trustees	Eliminations	2013 Total	2012 Total
Non-operating revenues (expenses):						
Contributions	\$ --	\$ --	\$ 169,805	\$ --	\$ 169,805	\$ 59,171
Net realized and unrealized appreciation on investments	--	--	945,265	--	945,265	1,182,216
Net endowment allocation	<u>--</u>	<u>--</u>	<u>(52,516)</u>	<u>--</u>	<u>(52,516)</u>	<u>(31,796)</u>
Total net non-operating revenue	<u>--</u>	<u>--</u>	<u>1,062,554</u>	<u>--</u>	<u>1,062,554</u>	<u>1,209,591</u>
Change in net assets	--	--	1,062,554	--	1,062,554	1,209,591
Net assets - beginning of year	1,133,667	--	9,037,978	--	10,171,645	8,309,220
Transfer from Troy Conference	--	--	--	--	--	652,834
Transfer	<u>(717,000)</u>	<u>--</u>	<u>717,000</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net assets - end of year	<u>\$ 416,667</u>	<u>\$ --</u>	<u>\$ 10,817,532</u>	<u>\$ --</u>	<u>\$ 11,234,199</u>	<u>\$ 10,171,645</u>

**THE NEW ENGLAND ANNUAL CONFERENCE OF THE UNITED
METHODIST CHURCH**

**BOSTON AREA OFFICE SUPPLEMENTAL SCHEDULE OF CASH
RECEIPTS, CASH DISBURSEMENTS AND FUND BALANCE**

**YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR 2012)**

	2013	2012
Cash receipts:		
Episcopal Fund - Office Subsidy	\$ 78,600	\$ 77,300
Total receipts	<u>78,600</u>	<u>77,300</u>
Cash disbursements:		
Staff salary	48,184	50,614
Employee benefits	25,399	26,002
Miscellaneous	22,457	7,454
Telephone	5,091	3,202
Office supplies	4,681	2,769
Professional entertainment	3,254	1,442
Office transition	2,847	2,905
Staff travel	2,653	3,336
Postage	731	205
Registration/resources	709	1,124
Equipment maintenance	442	393
Equipment and furnishings	--	150
Promotion/cultivation	--	66
Printing/copying	--	48
Total disbursements	<u>116,448</u>	<u>99,710</u>
Deficiency of revenues collected over expenses paid	(37,848)	(22,410)
Deficiency paid from Conference funds	37,848	22,410
Fund balance, beginning of year	<u>--</u>	<u>--</u>
Fund Balance, End of Year	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>