

## Independent Auditor's Reports

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Council on Finance and Administration  
Greater New Jersey Annual Conference  
of the United Methodist Church  
Ocean, New Jersey 07712-4733

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of the Greater New Jersey Annual Conference of the United Methodist Church (the Conference) as of December 31, 2005 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Conference's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater New Jersey Annual Conference of the United Methodist Church as of December 31, 2005, 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.

Lambrides, Lamos, Moulthrop, LLP  
Montclair, NJ  
July 11, 2006

Independent Auditor's Reports

**GREATER NEW JERSEY ANNUAL CONFERENCE**  
**OF THE UNITED METHODIST CHURCH**

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2005

**ASSETS**

Cash and cash equivalents	\$ 4,007,752
Accounts receivable	40,010
Loans receivable, net allowance of \$334,499	547,751
Prepaid expenses	587,050
Investments (Note 3)	12,198,814
Property and equipment (Note 4)	2,419,298
Beneficial interest in perpetual trust	<u>276,876</u>
Total assets	<u>\$ 20,077,551</u>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable and accrued expense	\$ 1,257,968
Mortgage payable (Note 5)	874,855
Post-retirement employee benefit obligation (Note 11)	<u>26,880,000</u>
Total liabilities	<u>29,012,823</u>

Net Assets:

Unrestricted	(10,272,060)
Temporarily restricted (Note 7)	860,635
Permanently restricted (Note 8)	<u>476,153</u>
Total net assets	<u>(8,935,272)</u>
Total liabilities and net assets	<u>\$ 20,077,551</u>

See notes to the financial statements

Exhibit A

**Independent Auditor's Report**

**GREATER NEW JERSEY ANNUAL CONFERENCE**  
**OF THE UNITED METHODIST CHURCH**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>Revenues Gains and Other Support:</b>				
Disciplinary obligations	\$ 3,063,006			\$ 3,063,006
World service benevolences	2,541,172			2,541,172
Other apportioned	641,906			641,906
Non apportioned	2,219,110	\$ 5,038	\$ 277,876	2,502,024
Net gain (loss) on investments	229,759			229,759
Investment income	295,543	20,439		315,982
Other revenue	1,030,539	1,250,137		2,280,676
Net assets released from restriction	<u>723,001</u>	<u>(723,001)</u>		<u>-</u>
Total revenues gains and other support	<u>10,744,036</u>	<u>552,613</u>	<u>277,876</u>	<u>11,574,525</u>
<b>Expenses:</b>				
Clergy support	2,135,833			2,135,833
Administrative expense	1,521,209			1,521,209
World service programs	2,832,800			2,832,800
Other apportioned funds	868,468			868,468
Other disbursements	3,822,408			3,822,408
Post-retirement benefit obligation	3,147,000			3,147,000
Depreciation	66,072			66,072
Interest expense	61,192			61,192
Loss on disposal of church property	<u>38,759</u>			<u>38,759</u>
Total expenses and losses	<u>14,493,741</u>	<u>-</u>	<u>-</u>	<u>14,493,741</u>
<b>Change in Net Assets</b>	<u>(3,749,705)</u>	<u>552,613</u>	<u>277,876</u>	<u>(2,919,216)</u>
<b>Net Assets at Beginning of Year as Previously Reported</b>	(7,483,056)	308,022	198,277	(6,976,757)
<b>Adjustment of Understatement of Prepaid Expenses (Note 14)</b>	487,075			487,075
<b>Adjustment for Understatement of Investments (Note 14)</b>	<u>473,626</u>			<u>473,626</u>
<b>Balance of Beginning Net Assets as Restated</b>	<u>(6,522,355)</u>	<u>308,022</u>	<u>198,277</u>	<u>(6,016,056)</u>
<b>Net Assets at End of Year</b>	<u>\$ (10,272,060)</u>	<u>\$ 860,635</u>	<u>\$ 476,153</u>	<u>\$ (8,935,272)</u>

See notes to the financial statements

Exhibit B

**Independent Auditor's Report**

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**GREATER NEW JERSEY ANNUAL CONFERENCE**  
**OF THE UNITED METHODIST CHURCH**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ (2,919,216)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	66,072
Realized loss on investments	92,144
Unrealized gain on investments	(321,903)
Net reduction of allowance for uncollectible loans	(110,000)
Loss on disposal of fixed assets	38,759
Increase in beneficial interest in perpetual trust	(276,876)
Decrease in accounts receivable	528,582
Decrease in prepaid expenses	633,393
Increase in accounts payable and accrued expenses	222,588
Increase in post-retirement benefit liability	<u>3,147,000</u>
Net cash provided by operating activities	<u>1,100,543</u>
<b>Cash Flows from Investing Activities:</b>	
Increase in loans	(16,100)
Repayments of loans	62,519
Purchase of investments	(12,338,325)
Proceeds from the sale of investments	12,776,238
Purchase of fixed assets	<u>(105,149)</u>
Net cash provided by investing activities	<u>379,183</u>
<b>Cash Flows from Financing Activities:</b>	
Payments on loans payable	<u>(52,063)</u>
Net cash used by financing activities	<u>(52,063)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,427,663
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>2,580,089</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 4,007,752</u>
<b>Supplemental disclosure - interest paid</b>	<u>\$ 61,192</u>

See notes to the financial statements

Exhibit C

## Independent Auditor's Report

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### GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**1. Organization:**

Greater New Jersey Annual Conference of the United Methodist Church (the Church) is an integral part of the General Conference of the United Methodist Church. Each member church in the Greater New Jersey Conference supports the operating budget and, in addition, makes contributions or grants to the Annual Conference's and General Conference's missions and programs. Investment revenue and program revenue also support the activities of the Conference.

The Conference is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code

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

(a) *Basis of Accounting*

The financial statements of the Conference have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

(b) *Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Conference is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(c) *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

(d) *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.

(e) *Investments*

Investments in marketable equity securities and debt securities are carried at fair value. Donated investments are reflected as contributions at their market values at date of receipt.

Continued

## Independent Auditor's Report

### GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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

(f) *Land, Buildings and Equipment*

Depreciable assets over \$1,000 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	30-40 years
Equipment, furniture and fixtures	5-10 years

(g) *Restricted and Unrestricted Revenue and Support*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

(h) *Permanently Restricted Net Assets*

Permanently restricted net assets consist of contributions received subject to the restriction that principal be retained in perpetuity, and that only income and gains on invested assets be utilized.

(i) *Post-retirement Benefits*

The Conference adopted Statement of Financial Accounting Standards No. 106, "Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106) effective July 1, 2000. SFAS 106 requires the cost of providing postretirement benefits be recognized over employee service periods. The Conference elected to defer its transition obligation over a period of twenty years.

3. **Investments:**

Investments at December 31, 2005 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Money Markets	\$ 133,974	\$ 133,974
Mutual Funds	3,273,549	3,282,781
Common Stock	3,223,842	3,994,517
Greater New Jersey Foundation Common Fund	1,887,838	1,616,319
General Board of Pensions	2,980,675	3,171,223
Total	<u>\$ 11,499,878</u>	<u>\$ 12,198,814</u>

Continued

**Independent Auditor's Report**

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**GREATER NEW JERSEY ANNUAL CONFERENCE**  
**OF THE UNITED METHODIST CHURCH**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

3. **Investments:** (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2005:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Dividends and interest	\$ 347,451	\$ 20,439	\$ 367,890
Less investment fees	<u>(51,908)</u>	<u>          </u>	<u>(51,908)</u>
Investment income	<u>295,543</u>	<u>20,439</u>	<u>315,982</u>
Realized loss	(92,144)		(92,144)
Unrealized gain	<u>321,903</u>	<u>          </u>	<u>321,903</u>
Net gain (loss) on investments	<u>229,759</u>	<u>          </u>	<u>229,759</u>
Total investment return	<u>\$ 525,302</u>	<u>\$ 20,439</u>	<u>\$ 545,741</u>

4. **Property and Equipment:**

Details of property and equipment is as follows:

	<u>Cost</u>	Accumulated <u>Depreciation</u>	<u>Net</u>
Land	\$ 1,116,424		\$ 1,116,424
Buildings	2,105,260	\$ (833,385)	1,271,875
Computer equipment and software	34,695	(4,660)	30,035
Furniture and fixtures	<u>12,966</u>	<u>(12,002)</u>	<u>964</u>
Total	<u>\$ 3,269,345</u>	<u>\$ (850,047)</u>	<u>\$ 2,419,298</u>

5. **Mortgage Payable:**

Mortgage payable to United Methodist Development Fund in monthly installments of \$8,712 including interest at 6.5% per annum, due March 2018, collateralized by property. Interest expense for 2005 on the mortgage payable was \$61,192.

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**Independent Auditor's Report**

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**GREATER NEW JERSEY ANNUAL CONFERENCE**  
**OF THE UNITED METHODIST CHURCH**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

5. **Mortgage Payable:** (Continued)  
Principal maturity is as follows:

2006	\$ 44,908
2007	52,132
2008	55,624
2009	59,349
2010	63,324
Thereafter	<u>599,518</u>
	<u>\$ 874,855</u>

6. **Net Assets Released from Restrictions:**

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

Scholarships	\$ 5,576
Benevolence for old and needy women of the Methodist Episcopal denomination	(5,249)
Assistance to specific United Methodist Churches within the Conference	9,056
September 11th benevolence program	<u>713,618</u>
Total net assets released from restrictions	<u>\$ 723,001</u>

7. **Temporarily Restricted Net Assets:**

Temporarily restricted net assets are available for the following purposes:

September 11th benevolence programs	\$ 536,519
Missional programs, church growth and/or church construction	64,815
Various scholarships for education	124,769
Retired preachers, ill or in need	86,990
Specific United Methodist Churches within the Conference	500
Mission concerns of the Northeast District	<u>47,042</u>
Total temporarily restricted net assets	<u>\$ 860,635</u>

Continued

## Independent Auditor's Report

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### GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

8. **Permanently Restricted Net Assets:**

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

Various scholarships for education	\$ 184,277
Old and needy women of the Methodist	
Episcopal denomination	10,000
Pension and health benefits of retired clergy	5,000
Missions programs, church growth and/or	
church construction	119,453
Missions in North East New Jersey	116,102
General operations	<u>41,321</u>
Total permanently restricted net assets	<u>\$ 476,153</u>

9. **Conference Board of Pensions:**

Effective January 1, 1982, the Conference adopted the Ministerial Pension Plan 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 Ministerial Pension Plan is 12% of the Active Participant's Plan Compensation for a Plan Year not to exceed the Denominational Average Compensation. The church contribution rate under the Comprehensive Average Protection Plan is 4.4% of the Contribution Base of each active participant. The pension rate for years served prior to 1982 is 1% of the conference Average Compensation as of January 1, 2003 (a rate of \$464 per year of service in 2004). Surviving spouses received 75% of that rate.

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.

10. **Defined Contribution Plan:**

Effective January 1, 1975, the Conference adopted a contributory pension plan for lay employees, covering all full-time employees electing to participate. Under this plan the Conference will contribute 6% of each participant's annual salary, and the participants will contribute an additional 3% of all past earnings of eligible employees.

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

The Conference's post-retirement health care benefit plan provides health insurance coverage to employees with 5 years of service who retire directly from active service at or after the age of 62. Married employees eligible for the plan will also have coverage for their spouse. Upon an eligible retiree's death, spousal coverage continues for the spouse's lifetime.

Continued

**Independent Auditor's Report**

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**GREATER NEW JERSEY ANNUAL CONFERENCE**  
**OF THE UNITED METHODIST CHURCH**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

11. **Post-Retirement Benefit Obligation:** (Continued)  
Effective July 1, 2002 a person becoming an annuitant on July 1, 2002 with less than 20 years of service 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 service 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.

The following table presents the status of the plan (in thousands) at December 31, 2005:

Obligation and funded status:	
Accumulated benefit obligation	<u>\$ 45,100</u>
Projected benefit obligation for services rendered to date:	
Benefit obligation at beginning of year	\$ 43,469
Service cost	1,442
Interest cost	2,541
Benefits paid	<u>(2,352)</u>
Benefit obligation at the end year	<u>\$ 45,100</u>
Fair value of plan assets:	
Beginning of year	\$ -
End of Year	<u>\$ -</u>
Reconciliation of the funded status of the plan with the accrued pension liability in the accompanying balance sheet:	
Unfunded projected benefit obligation	\$ 45,100
Unrecognized costs to be amortized:	
Unrecognized prior service costs	(5,201)
Unrecognized transition obligation	(4,707)
Unrecognized loss	<u>(8,312)</u>
Accrued pension liability	<u>\$ 26,880</u>

Continued

## Independent Auditor's Report

### GREATER NEW JERSEY ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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

The weighted averaged annual assumed rate of increase in the per capita cost of covered benefits for the medical plan is 9% in 2005 and is assumed to decrease gradually to 5.0% in 2009 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing or decreasing the assumed health care trend rate by one percentage point in each year would increase or decrease the accumulated post-retirement benefit obligation for the medical plan as of December 31, 2005, by approximately \$6,252 and the aggregate of the service and interest cost components of net periodic post-retirement benefit cost for 2005 of approximately \$725. The weighted-average discount rate used in determining the accumulated post-retirement benefit obligation was 6% December 31, 2005.

The change in the cumulative unrecognized loss to \$8,313 at December 31, 2005, is attributable to changes in actuarial assumptions, primarily the increase in the trend rates, the decrease in the discount rate, and other actuarial losses.

An estimate has been made to the December 31, 2005 liability to reflect the impact of the Medicare part D Subsidy provided under the Act effective for years 2006 and later. It was assumed that approximately 65% of the post-65 liability is for prescription drugs, and that the Medicare subsidy is expected to reimburse 25% of the total prescription drug cost. The prescription drug cost subsidy is assumed to increase at the same trend rates as for total medical claims.

	With <u>Part D</u>	Without <u>Part D</u>
2006	\$ 2,066	\$ 2,430
2007	\$ 2,211	\$ 2,603
2008	\$ 2,343	\$ 2,764
2009	\$ 2,465	\$ 2,911
2010	\$ 2,576	\$ 3,044
2011-2015	\$ 14,858	\$ 17,562

12. **Concentration of credit risk:**

The Conference maintains cash balances at several financial institutions in excess of the \$100,000 FDIC insured limits. The Conference's uninsured cash balances totaled \$3,874,195 as of December 31, 2005.

13. **Reimbursed expenditures:**

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

Continued

**Independent Auditor's Report**

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**GREATER NEW JERSEY ANNUAL CONFERENCE**  
**OF THE UNITED METHODIST CHURCH**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005

13. **Reimbursed expenditures:** (Continued)

For the year ended December 31, 2005 the following amounts were collected and disbursed by the Conference for each respective benefit plan:

	Pension and Disability <u>Plan</u>	Health <u>Insurance</u>	Comprehensive Insurance <u>Plan</u>	<u>Total</u>
Collected	\$ 6,184,551	\$ 7,573,036	\$ 6,131,009	\$ 19,888,596
Disbursed	<u>(6,302,129)</u>	<u>(7,665,955)</u>	<u>(6,204,125)</u>	<u>(20,172,209)</u>
Net Activity	<u>\$ (117,578)</u>	<u>\$ (92,919)</u>	<u>\$ (73,116)</u>	<u>\$ (283,613)</u>

14. **Prior Period Adjustment:**

Certain errors resulting in understatement of previously reported prepaid expense were discovered during the current year. Accordingly, an adjustment of \$487,075 was made during 2005 to write up prepaid expense as of the beginning of the year and a corresponding entry was made to increase previously reported unrestricted net assets.

Certain errors resulting in an understatement of previously reported General Board of Pension investments were discovered in the current year. Accordingly, an adjustment of \$473,626 was made to write up investments as of the beginning of the year and a corresponding entry was made to increase previously unrestricted net assets.

Concluded

**Independent Auditor's Report**

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The United Methodist Foundation of the  
Greater New Jersey Annual Conference  
Ocean, New Jersey

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying statement of financial position of the United Methodist Foundation of the Greater New Jersey Annual Conference (a nonprofit organization) as of December 31, 2005 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Methodist Foundation of the Greater New Jersey Annual Conference as of December 31, 2005, and its activities and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lambrides, Lamos, Moulthrop, LLP  
Montclair, NJ  
July 12, 2006

**Independent Auditor's Report**

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**THE UNITED METHODIST FOUNDATION OF THE  
GREATER NEW JERSEY ANNUAL CONFERENCE**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2005**

**ASSETS**

Cash and cash equivalents	\$ 33,373
Investments	<u>4,133,392</u>
Total assets	<u>\$ 4,166,765</u>

**LIABILITIES AND NET ASSETS**

Liabilities:

Agency accounts	<u>\$ 4,029,361</u>
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Net Assets:

    Unrestricted :

Memorial	7,556
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Undesignated	<u>129,848</u>
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Total net assets	<u>137,404</u>
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Total liabilities and net assets	<u>\$ 4,166,765</u>
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See notes to the financial statements.

Exhibit A

**THE UNITED METHODIST FOUNDATION OF THE  
GREATER NEW JERSEY ANNUAL CONFERENCE**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Unrestricted:**

Revenue:		
Administrative management fee	\$	4,653
Interest income - cash accounts		116
Investment income		3,718
Gain (loss) on investments		<u>667</u>
Total revenues		<u>9,154</u>
Expenses:		
General and administrative		<u>6,770</u>
Total expenses		<u>6,770</u>
<b>Increase in Unrestricted Net Assets</b>		2,384
<b>Net Assets, Beginning of Year</b>		<u>135,020</u>
<b>Net Assets, End of Year</b>		<u>\$ 137,404</u>

See notes to the financial statements

Exhibit B

Independent Auditor's Reports

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**THE UNITED METHODIST FOUNDATION OF THE  
GREATER NEW JERSEY ANNUAL CONFERENCE**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ 2,384
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease in agency accounts	<u>(166,751)</u>
Cash used by operating activities	<u>(164,367)</u>
<b>Cash Flows from Investing Activities:</b>	
Net change in investments	<u>171,723</u>
Net cash provided by investing activities	<u>171,723</u>
<b>Net Increase in Cash and Cash Equivalents</b>	7,356
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>26,017</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 33,373</u>

See notes to the financial statements.

Exhibit C

## Independent Auditor's Reports

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### THE UNITED METHODIST FOUNDATION OF THE GREATER NEW JERSEY ANNUAL CONFERENCE

#### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2005

#### 1. **Organization:**

The United Methodist Foundation of the Greater New Jersey Annual Conference (the Foundation) was organized to serve the investment needs of both local United Methodist churches and Conference related entities. The Foundation provides a professionally managed investment vehicles for church endowment and other long-term funds.

The Foundation is exempt from federal income taxes under section 501 (c)(3) of the Internal Revenue Code.

#### 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 Foundation 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 Foundation 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 Foundation 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.

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## Independent Auditor's Reports

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### THE UNITED METHODIST FOUNDATION OF THE GREATER NEW JERSEY ANNUAL CONFERENCE

#### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2005

#### 2. Summary of significant Accounting Policies: (Continued)

- Permanently restricted net assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the Foundation 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) *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.

#### (d) *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.

#### (e) *Investments*

Investments in equity securities with readily determinable fair market values and all investments in debt securities are reported at fair market value, with gains and losses included in the statement of activities. Donated investments are reflected as contributions at their fair market values at date of receipt.

#### (f) *Use of Estimates*

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

Continued

**Independent Auditor's Reports**

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**THE UNITED METHODIST FOUNDATION OF THE  
GREATER NEW JERSEY ANNUAL CONFERENCE**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**3. Investments:**

Investments are stated at fair market value and are summarized as follows:

	<u>Cost</u>	<u>Market</u>
Equities	\$ 1,947,848	\$ 2,147,801
Fixed income	1,619,977	1,602,139
Money market funds	<u>383,452</u>	<u>383,452</u>
	<u>\$ 3,951,277</u>	<u>\$ 4,133,392</u>

The following schedule summarizes the investment return and its classification in the statement of activities.

	<u>Foundation</u>	<u>Agency Accounts</u>	<u>Total</u>
Interest and dividends	\$ 3,718	\$ 107,937	\$ 111,655
Realized and unrealized gains	667	66,538	67,205
Management fees		<u>(41,284)</u>	<u>(41,284)</u>
	<u>\$ 4,385</u>	<u>\$ 133,191</u>	<u>\$ 137,576</u>

**4. Agency Accounts:**

The following schedule summarizes the activity from the agency accounts:

Balance at beginning of year	\$ 4,196,112
Deposits	124,095
Investment return	133,191
Withdrawals	<u>(424,037)</u>
Balance at end of year	<u>\$ 4,029,361</u>

**5. Related Party Transaction:**

Administrative services are provided by the Greater New Jersey Annual Conference of the United Methodist Church.

Concluded

Independent Auditor's Report

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statement of financial position of The Centenary Fund and Preacher's Aid Society of The Greater New Jersey Annual Conference of the United Methodist Church (the Fund) as of December 31, 2005, and the related statements of activities and of cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Centenary Fund as of December 31, 2005, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lambrides, Lamos, Moulthrop, LLP  
Montclair, NJ  
May 19, 2006

Independent Auditor's Report

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

**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2005**

**ASSETS**

Cash and cash equivalents	\$ 81,130
Investments	9,323,269
Bristol Glen Deposits	<u>215,000</u>
Total Assets	<u>\$ 9,619,399</u>

**LIABILITIES AND NET ASSETS**

**Liabilities:**

Accounts payable	\$ 1,375
Grants payable	<u>350,000</u>
Total liabilities	<u>351,375</u>

**Net Assets - Unrestricted:**

Donation base	5,596,464
Distribution fund	<u>3,671,560</u>
Total net assets	<u>9,268,024</u>
Total liabilities and net assets	<u>\$ 9,619,399</u>

See notes to the financial statements.

Exhibit A

**Independent Auditor's Report**

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

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b><u>DONATION</u></b>	<b><u>DISTRIBUTION</u></b>	
	<b><u>BASE</u></b>	<b><u>FUND</u></b>	<b><u>TOTAL</u></b>
<b>Support and Revenue:</b>			
Contributions	\$ 86,836		\$ 86,836
Interest and dividends		\$ 348,343	348,343
Investment return		<u>149,372</u>	<u>149,372</u>
Total support and revenue	<u>86,836</u>	<u>497,715</u>	<u>584,551</u>
<b>Expenses:</b>			
Program services:			
Clergy/family support		3,937	3,937
Health insurance support		<u>350,000</u>	<u>350,000</u>
Total program services	<u>-</u>	<u>353,937</u>	<u>353,937</u>
Supporting Services:			
Development		9,000	9,000
Insurance		1,297	1,297
Investment Management		24,364	24,364
Miscellaneous		193	193
Printing		222	222
Professional fees		<u>12,880</u>	<u>12,880</u>
Total supporting services	<u>-</u>	<u>47,956</u>	<u>47,956</u>
Total expenses	<u>-</u>	<u>401,893</u>	<u>401,893</u>
<b>Change in Net Assets</b>	86,836	95,822	182,658
<b>Net Assets at Beginning of Year</b>	<u>5,509,628</u>	<u>3,575,738</u>	<u>\$ 9,085,366</u>
<b>Net Assets at End of Year</b>	<u>\$ 5,596,464</u>	<u>\$ 3,671,560</u>	<u>\$ 9,268,024</u>

See notes to the financial statements

Exhibit B

**THE CENTENARY FUND AND PREACHER'S AID SOCIETY**

**Independent Auditor's Report**

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**OF THE GREATER NEW JERSEY ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Cash Flows from Operating Activities:**

Change in net assets	\$ 182,658
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized gains on investments	(375,821)
Unrealized losses on investments	226,449
Increase in:	
Accounts payable	1,375
Grants payable	<u>88,000</u>
Net cash provided by operating activities	<u>122,661</u>

**Cash Flows from Investing Activities:**

Proceeds from the sale of investments	4,769,115
Purchase of investments	<u>(4,831,094)</u>
Net cash used by investing activities	<u>(61,979)</u>

**Net Increase in Cash and Cash Equivalents** 60,682

**Cash and Cash Equivalents Beginning of Year** 20,448

**Cash and Cash Equivalents at End of Year** \$ 81,130

See notes to the financial statements

Exhibit C

## Independent Auditor's Report

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### **THE CENTENARY FUND AND PREACHER'S AID SOCIETY** **OF THE GREATER NEW JERSEY ANNUAL CONFERENCE** **OF THE UNITED METHODIST CHURCH**

#### **NOTES TO THE FINANCIAL STATEMENTS** **DECEMBER 31, 2005**

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

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

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

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

(a) *Accrual Basis Financial Statements*

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

(b) *Net Assets*

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

- Unrestricted net assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Fund to utilize funds in furtherance of its mission.
- Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by the Fund which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Permanently restricted net assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be permanently retained. Generally, the donors of these funds permit the organization to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

Continued

**Independent Auditor's Report**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

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

(c) *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.

(d) *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.

(e) *Investments*

Investments in equity securities with readily determinable fair market values and all investments in debt securities are reported at fair market value, with gains and losses included in the statement of activities. Donated investments are reflected as contributions at their fair market values at date of receipt.

(f) *Tax Exempt Status*

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

(g) *Use of Estimates*

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

Continued

**Independent Auditor's Report**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

3. **Investments:**

Investments are recorded at fair value and consist of the following at December 31, 2005:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 72,232	\$ 72,232
Common stocks	3,479,259	3,938,901
Mutual funds	2,321,005	2,594,094
Corporate bonds	1,026,610	1,039,558
US Government bonds	<u>1,699,974</u>	<u>1,678,485</u>
Total investments	<u>\$ 8,599,080</u>	<u>\$ 9,323,270</u>

4. **Bristol Glen Deposit:**

The Fund has provided a refundable capital deposit in the Bristol Glen retirement home for two 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, 2005.

Concluded