

VIII. ACCOUNTANTS' REPORTS AND FINANCIAL STATEMENTS
 JANUARY 1, 2013 through DECEMBER 31, 2013

Council on Finance and Administration

SECTION I - Summary of Conference Budget for 2015

	Sch.	2014	2015	% of Budget	Inc.\(Dec.)	% Chg.
Conference Apportionments						
401 - Conference Mission & Ministries	A	3,580,000	3,280,000	10.04%	(300,000)	-8.38%
402 - Conference Services	B	1,925,000	1,890,000	5.78%	(35,000)	-1.82%
403 - District Superintendents Fund	C	2,100,000	2,055,000	6.28%	(45,000)	-2.14%
404 - Equitable Compensation		500,000	500,000	1.53%	-	0.00%
405 - Church Extension & Development		500,000	675,000	2.06%	175,000	35.00%
406 - Virginia Education Fund		1,020,000	1,000,000	3.06%	(20,000)	-1.96%
Total Conference Apportionments		9,625,000	9,400,000	28.73%	(225,000)	-2.34%
Clergy Benefits Apportionments						
407 - Active Clergy Health		9,425,000	9,710,000	29.68%	285,000	3.02%
408 - Retired Clergy Health		5,880,000	6,060,000	18.52%	180,000	3.06%
409 - Pension Liability Assessment - Pre 82		2,090,000	1,550,000	4.74%	(540,000)	-25.84%
Total Clergy Benefit Apportionments		17,395,000	17,320,000	52.93%	(75,000)	-0.43%
General & Jurisdictional Apportionments						
410 - Episcopal Fund		886,200	900,000	2.75%	13,800	1.56%
411 - World Service		3,034,800	3,000,000	9.17%	(34,800)	-1.15%
412 - General & Jurisdictional Connectional Fund		492,000	487,000	1.49%	(5,000)	-1.02%
413 - Ministerial Education		1,041,900	1,030,000	3.15%	(11,900)	-1.14%
414 - Black College Fund		415,600	410,000	1.25%	(5,600)	-1.35%
415 - Africa University Fund		93,000	92,000	0.28%	(1,000)	-1.08%
416 - Interdenominational Cooperation Fund		81,500	81,000	0.25%	(500)	-0.61%
Total General & Jurisdictional Apportionments		6,045,000	6,000,000	18.34%	(45,000)	-0.74%
Total Apportionments		33,065,000	32,720,000	100.00%	(345,000)	-1.08%

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COUNCIL ON FINANCE AND ADMINISTRATION

Schedule A - Apportionment 401 - Conference Mission & Ministries

	2014	2015	Budget	Inc.\(Dec.)	% Chg.
Conference Benevolence Grants					
1. Chaplain Service of Virginia	119,500	121,000	0.37%	1,500	1.26%
2. Virginia Council of Churches	60,000	58,000	0.18%	(2,000)	-3.33%
3. Virginia Interfaith Center	5,000	5,000	0.02%	-	0.00%
4. Society of St. Andrew	1,000	2,500	0.01%	1,500	150.00%
5. Appalachian Ministry Network	1,600	-	0.00%	(1,600)	-100.00%
6. Industrial & Commercial Ministries	900	1,000	0.00%	100	11.11%
7. Just Neighbors	1,000	3,500	0.01%	2,500	250.00%
8. Pathways	5,000	-	0.00%	(5,000)	-100.00%
9. Disciple Bible Outreach Ministries	1,000	4,000	0.01%	3,000	300.00%
	195,000	195,000	0.60%	-	0.00%
Special & Sustaining Grants					
	-	66,000	0.20%	66,000	100.00%
Conference Programs					
	106,000	90,000	0.28%	(16,000)	-15.09%
New Church Start Salary Support					
	400,000	-	0.00%	(400,000)	-100.00%
Campus Ministries					
	813,000	813,000	2.48%	-	0.00%
Program & Board Administrative Expenses					
1. Common Table	5,000	5,000	0.02%	-	0.00%
2. Departmental Administration (See below)	64,700	64,700	0.20%	-	0.00%
3. Agency Administration (See below)	106,850	106,900	0.33%	50	0.05%
4. Personnel Costs	1,267,000	1,317,000	4.03%	50,000	3.95%
5. Information Technologies	29,500	29,500	0.09%	-	0.00%
6. Video Production & Documentation	5,000	5,000	0.02%	-	0.00%
7. Building Operations & Services	165,000	165,000	0.50%	-	0.00%
8. Postage, Printing & Telephone	10,000	10,000	0.03%	-	0.00%
9. Contingency	10,000	10,000	0.03%	-	0.00%
	1,663,050	1,713,100	5.25%	50,050	3.00%
Contingency Funds - Budget Shortfall					
	402,950	402,900	1.23%	(50)	-0.01%
	3,580,000	3,280,000	10.04%	(300,000)	-8.34%
Supporting Schedule, Line 2 - Departmental Administration					
1. Connectional Ministries	9,600	9,600	0.03%	-	0.00%
2. Communications	8,430	8,400	0.03%	(30)	-0.36%
3. Congregational Excellence	11,370	11,400	0.03%	30	0.26%
4. Ministries with Young People	11,750	11,800	0.04%	50	0.43%
5. Inclusivity and Lay Leadership Excellence	10,500	10,500	0.03%	-	0.00%
6. Justice and Missional Excellence	13,050	13,000	0.04%	(50)	-0.38%
	64,700	64,700	0.20%	-	0.00%
Supporting Schedule, Line 3 - Agency Administration					
1. Church & Society	4,350	8,900	0.03%	4,550	104.60%
2. Discipleship	16,100	15,100	0.05%	(1,000)	-6.21%
3. Global Ministries	16,900	15,900	0.05%	(1,000)	-5.92%
4. Committee on Mission Personnel	35,000	35,000	0.11%	-	0.00%
5. Communications	5,200	5,200	0.02%	-	0.00%
6. Higher Education	6,500	5,500	0.02%	(1,000)	-15.38%
7. Laity	10,200	10,200	0.03%	-	0.00%
8. CEMCA	4,600	3,700	0.01%	(900)	-19.57%
9. COSROW	2,700	2,100	0.01%	(600)	-22.22%
10. Commission on Disabilities	2,500	2,500	0.01%	-	0.00%
11. Church Development Team	2,800	2,800	0.01%	-	0.00%
	106,850	106,900	0.32%	50	0.04%

Schedule B - Apportionment 402 - Conference Services

	2014	2015	Budget	Inc.\(Dec.)	% Chg.
1. Board of Ordained Ministry (see below)	311,800	341,800	1.05%	30,000	10.87%
2. Bishop's Assistant	77,000	77,000	0.24%	-	0.00%
3. Annual Conference Session	200,000	240,000	0.73%	40,000	20.00%
4. Mortgage Payments	305,000	305,000	0.93%	-	0.00%
5. Treasurer's Office	370,000	383,000	1.17%	13,000	3.51%
6. Computer Services	80,000	80,000	0.24%	-	0.00%
7. Wesley Foundation Property Maint	50,000	50,000	0.15%	-	0.00%
8. Richmond Area Episcopal Expense	26,500	26,500	0.08%	-	0.00%
9. Pastor Relocation & Transition	17,000	17,000	0.05%	-	0.00%
10. Archives	7,500	9,500	0.03%	2,000	26.67%
11. Council on Finance and Administration	6,500	3,500	0.01%	(3,000)	-46.15%
12. Historical Society	8,000	8,000	0.02%	-	0.00%
13. Board of Trustees	2,000	2,000	0.01%	-	0.00%
14. Telephone Service	15,000	15,000	0.05%	-	0.00%
15. Insurance	25,000	25,000	0.08%	-	0.00%
16. Postage & Printing	25,000	25,000	0.08%	-	0.00%
17. Building Operations & Services	23,000	23,000	0.07%	-	0.00%
18. Conference Publications	7,500	7,500	0.02%	-	0.00%
19. Bishop's auto allowance	9,000	9,000	0.03%	-	0.00%
20. Contingency Funds for Unforeseen Expenses	10,000	10,000	0.03%	-	0.00%
21. Legal	20,000	20,000	0.06%	-	0.00%
22. Episcopal committee	2,000	2,000	0.01%	-	0.00%
23. Episcopal Residence	100,000	-	0.00%	(100,000)	-100.00%
24. Contingency Funds - Budget Shortfall	227,200	210,200	0.64%	(17,000)	-7.48%
	1,925,000	1,890,000	5.78%	(35,000)	-1.82%

Board of Ordained Ministry

1. Minister's Family Counseling	15,000	15,000	0.05%	-	0.00%
2. Candidates' Evaluation	20,000	20,000	0.06%	-	0.00%
3. Sexual Ethics Response Team	1,800	1,800	0.01%	-	0.00%
4. Conference Clergy Leadership Program	-	50,000	0.15%	50,000	100.00%
5. Clergy Families in Transition	20,000	-	0.00%	(20,000)	-100.00%
6. Center for Clergy Excellence	15,000	15,000	0.05%	-	0.00%
7. Personnel Costs	165,000	165,000	0.50%	-	0.00%
8. Board of Ordained Ministry Administration	75,000	75,000	0.23%	-	0.00%
	311,800	341,800	1.05%	30,000	10.87%

Schedule C - Apportionment 403 - District Superintendents Fund

	2014	2015	Budget	Inc.\(Dec.)	% Chg.
1. Salaries & Pension	1,670,000	1,670,000	5.10%	-	0.00%
2. Travel & Meetings	115,000	140,000	0.43%	25,000	21.74%
3. Other	25,000	25,000	0.08%	-	0.00%
4. Contingency Funds - Conference Budget Shortfall	290,000	220,000	0.67%	(70,000)	-24.14%
	2,100,000	2,055,000	6.28%	(45,000)	-2.09%

SECTION II - Recommended Apportionments to Districts and Local Churches

A. Total Recommended Apportionment Levels:

The Council of Finance and Administration (CFA) recommends that the amounts apportioned from the General, Jurisdictional, and Annual Conference be apportioned to the districts as follows:

2015 Virginia Annual Conference Apportionments

401-Conference Mission & Ministries	3,280,000
402-Conference Services	1,890,000
403-District Superintendents Fund	2,055,000
404-Equitable Compensation	500,000
405-Church Extension & Development	675,000
406-Virginia Education Fund	1,000,000
407-Active Clergy Health	9,710,000
408-Retired Clergy Health	6,060,000
409-Pension Liability Assessment - Pre 82	1,550,000
410-Episcopal Fund	900,000
411-World Service	3,000,000
412-General & Jurisdictional Connectional Fund	487,000
413-Ministerial Education Fund	1,030,000
414-Black College Fund	410,000
415-Africa University Fund	92,000
416-Interdenominational Cooperation Fund	81,000
	\$ 32,720,000

Note: The reduction in 409 - Pension Liability Assessment - Pre 82 in 2015 is due in part to VUMPI's commitment to supplement \$420,000 from their reserves towards this liability. See VUMPI's report for more information.

B. CONFERENCE APPORTIONMENT RECOMMENDATION SPECIFICS:

The Conference Apportionments are intended to carry out the mission and ministry of the Virginia Annual Conference. All balances at the end of the year are to be closed to Conference Reserves unless an exception is granted by the Conference Council on Finance and Administration.

401-Conference Mission & Ministries

- This apportionment provides funding for the Conference Common Table benevolences and ministries, including New Church Start Salary Support, Campus Ministries, other CommonTable Program Boards and Agencies support.

402-Conference Services

- This apportionment primarily covers the administrative requirements of the Book of Discipline and Conference owned properties.

403-District Superintendents Fund

- This apportionment covers the personnel and travel costs of the District Superintendents.

404-Equitable Compensation

- This apportionment is required by the Book of Discipline and is administered by the Equitable Compensation Commission to provide clergy salary supplementation based upon their policies and procedures.

405-Church Extension and Development Fund (CEF)

- This apportionment is based on recommendations of the Common Table and is directed to the Church Development Team for use in providing conference-wide grants to new and existing churches in accordance of the policies of the Common Table.

406-Virginia Education Fund

- This apportionment is apportioned to the districts at **\$1,000,000 for 2015**. Based on recommendations of the Common Table, the following percentage distribution of the Fund is proposed for 2015:
 - Ferrum College 19.5% (\$195,000)
 - Randolph-Macon College 18.5% (\$185,000)
 - Randolph College 16.0% (\$160,000)
 - Randolph-Macon Academy 10.0% (\$100,000)
 - Shenandoah University 18.0% (\$180,000)
 - Virginia Wesleyan College 18.0% (\$180,000)

Report on 2013

- As set out in the Annual Conference procedures, the Annual Conference is informed, through this report, of shortfalls in the Apportionments that impact Conference Reserves. These shortfalls were managed through budget cuts, contingency funds and Conference reserves in accordance with Annual Conference-approved policy. Below are the stated Apportionments for 2013.

	Shortfall
401 Conference Mission & Ministries	435,483
402 Conference Services	252,127
403 District Superintendents	200,383
404 Equitable Compensation	58,798
	946,791

SECTION III — Apportionment Procedures**A. APPORTIONMENT FORMULA:**

- **All Apportionments except for the Active Clergy Health Benefits**
Apportionments are calculated using the last year of available statistics of each local church (i.e. 2015 apportionments are calculated using 2013 statistics). The formula is based on total net paid expenses which are the total expenditures of the church minus expenditures for benevolent causes, apportionments, capital improvements, and payments on loans and mortgages. The apportionments for each church are sent to each district based on decimal calculations from the formula below:

$$\text{Individual Church Net Paid} / \text{Total of all Conference Churches Net Paid} = \text{Church Decimal}$$

- **Active Clergy Health Benefits Apportionment Formula**

The costs of the active clergy health benefits will be apportioned using a two-tier calculation. The first tier will consist of a fixed dollar amount (\$5,000) per health plan eligible clergy based upon the July 1, 2014 appointment list. The remaining costs after the tier one calculation will be apportioned to the churches based upon total clergy (regardless of classification) compensation (salary plus accountable reimbursement) paid by a church divided by the total clergy compensation paid in the last year of available statistics (2013 for 2015 apportionments).

- The district then passes the apportionments on to the local church according to recommendations developed by the district superintendents and the district stewards.
- The Council on Finance and Administration, in consultation with the Church Development Team and Cabinet, has the authority to set a policy for apportioning newly chartered churches (within the first 5 years), satellite/multisite locations, and new faith communities.

B. REPORTING GUIDELINES:

- District superintendents will report the apportioned amounts for each church to the Conference treasurer and the apportioned amounts will be shown on the monthly Treasurer's report sent to each church.
- Apportionments are to be calculated and distributed annually rather than on a quadrennial basis.
- The Annual Conference will raise World Service funds only through contributions from the local churches. CFA urges that district superintendents, pastors, and local church leaders seek to fully implement Section 812 of the 2012 Discipline.

C. IMPORTANCE OF WORLD SERVICE:

- The importance of World Service to the life of the Church is lifted up to the Annual Conference. "The World Service Fund is basic in the financial program of The United Methodist Church. The World Service apportionment represents the minimum needs of the general agencies of the Church. Payment in full of these apportionments by local churches and annual conferences is the first benevolent responsibility of the Church." (Section 812 of the 2012 Discipline).

SECTION IV - Annual Conference Special Offerings

Annual Conference offerings provide important and life-giving support for key Conference programs. The following are recommended for approval for 2015:

- **United Methodist Family Services.** It is recommended that December be designated as United Methodist Family Services Month and that each church promote an offering during this time for this purpose.
- **Christian Education.** It is recommended that each church designate a week in September for the observance of Christian Education and that an offering be taken. The offering is to be forwarded to the Conference treasurer and will be allocated as follows: (a) 50% for Conference Division on Education; and (b) 50% back to the districts for education and leadership development.
- **Industrial and Commercial Ministries.** It is recommended that Labor Day Sunday be designated for Industrial and Commercial Ministries and that churches receive an offering at that time in support of this Virginia Conference program.
- **Virginia United Methodist Homes Samaritan Fund.** It is recommended that the period between Mother's Day and Father's Day be designated in support of the Virginia United Methodist Homes Samaritan Fund, and that local church offerings collected during that period be dedicated to this Virginia Conference program.

- Heart Havens. It is recommended that February be designated as Heart Havens Month and that each church promote an offering during this time for this purpose.
- Annual Conference Offering. CFA recommends continued support for this important offering.

SECTION V - Policies

A. DISTRICT SUPERINTENDENT'S FUND

Overall Policies for the Fund:

- It is recommended that, in compliance with the Book of Discipline, the salaries and expenses for district superintendents (DS), and those under special appointment, be published in the Conference Journal with each DS's salary individually calculated and assigned each year as part of the appointive process, using the following criteria:
 - Each District Superintendent's salary shall be \$88,000, except those who were appointed at a higher salary prior to 7/1/2012. Those "grandfathered" will continue at their existing salaries while completing their appointment.
 - Each year, the annual salaries of the District Superintendents are to be recommended by CFA to the Annual Conference.
 - CFA also administers salary-related expenses, to include such items as pensions, supplemental benefits, travel by voucher, continuing education, and other Cabinet-related expenses.
 - The total cost of salaries and related expenses apportioned to Districts are to be based on the current approved decimal system (upon recommendation of CFA).
 - All other District Superintendent's costs, such as housing, district office expenses and staff, are to be paid at the district level.

Recommendations for 2015:

- The District Superintendents' salaries will remain the same for 2015.

B. TRAVEL & MEETING EXPENSES

Board and Agency members and staff engaged in Conference business are provided and are to be managed as follows:

- The mileage reimbursement rate is set at 35 cents for Conference staff and the IRS reimbursement rate for volunteers (currently 14 cents) serving boards and agencies of the Conference.
- Meals are to be reimbursed at actual costs, but not to exceed \$20 per 24-hour period. (Breakfast on the date of departure from home/office is not accepted; dinner on the date of return is not accepted, except when the arrival to home/office is after 7 p.m.).
- Reimbursement for daily room charges is set at \$85, if the travel incurred extends to a period over three hours prior to the starting time of 10 a.m. on the day of the meeting.
- Spouse expenses are not part of allowable expenses.
- To encourage stewardship in this area, CFA suggests: (1) that advance reading materials be provided for study prior to meetings; and (2) that there be use of teleconferencing, where feasible.

C. INDIVIDUAL EXPENSES FOR ANNUAL CONFERENCE

Provided for and managed as follows:

- Each charge is responsible for the expenses of both the clergy and lay members (including diaconal ministers) from that charge to the annual conference, working out its own plan of compensating for actual expenses.
- Persons not covered through local church appointment shall receive annual conference reimbursement not to exceed \$100 a night for mileage, meals and lodging; the Conference treasurer shall reimburse the claimant through voucher of approved expenses. Coverage under this section extends to:

- (a) retired clergy who retired with pension under one of the Disciplinary options and who are not serving full-time;
 - (b) clergy on medical leave;
 - (c) clergy on sabbatical leave who are members of the Virginia Annual Conference;
 - (d) retired diaconal ministers who served at least eight years in the Virginia Conference and who are granted a retired relationship by the Conference;
 - (e) persons expecting their first appointment;
 - (f) members of the conference who have been appointed to attend a theological school;
 - (g) those serving as chaplains in Armed Forces;
 - (h) deaconesses under appointment;
 - (i) furloughed missionary members of the Virginia Annual Conference;
 - (j) those on loan to other annual conferences, whose expenses are not otherwise provided for; and
 - (k) clergy returning from an approved leave of absence receiving local church pastoral appointments.
- Each district is responsible for the expenses of its district superintendent, youth members and members-at-large.
 - Each board, agency or committee is responsible for the expenses of its chairpersons.
 - Boards and other agencies and institutions served by clergy under appointment will be responsible for said clergy's expenses to the annual conference.

D. CONFERENCE RESERVE FUNDS

Policies on the Maintenance of Reserve Fund Levels:

- The Council monitors the Conference Reserves to ensure the ability to cover future contingencies including,
 - a) Reserve funds in the amount of \$200,000 are available for emergencies and catastrophic needs related to the maintenance of Conference property held by the Conference trustees, and include: (1) Virginia United Methodist Center; (2) Wesley Foundation buildings; and (3) the Episcopal residence. [The total value of these properties is estimated at more than \$15 million.]
 - b) Reserve funds in the amount of \$300,000 are available to maintain orderly cash flow during the Conference year, with such activity to cover salaries, grants, etc.
 - c) Reserve funds in the amount of \$300,000 are available to cover actions emerging from Annual Conference vote, emergencies, support of advances for campaigns, and potential liabilities of the Conference. Of the amounts reserved: (1) up to \$50,000 is available for emergency needs of the Common Table, with the approval of CFA; and (2) up to \$100,000 may be allocated by CFA between sessions of Annual Conference, as deemed necessary.
- Consistent with approved Annual Conference policies (effective January 1992), the use of investment income is authorized to maintain reserve levels. (At the discretion of CFA, excesses may be used to: (1) meet shortfalls in Conference benevolences; (2) meet shortfalls in Conference Services; and/or (3) reduce apportionments from the Annual Conference to local churches.
- The status of Conference reserves at the end of the prior actual year is to be reviewed each year by CFA and included in the Treasurer's Report to the Annual Conference Session.

E. PASTOR RELOCATION TRANSITION FUND:

1. By action of the June 2003 Annual Conference, CFA has established Pastor Relocation Transition Fund and has provided funding through the Conference Services apportionment.
2. Churches/charges which are served by fulltime clergy appointed to their charge as pastor may request reimbursement on the following schedule for an incoming pastor, if the previous pastor served two years or less in the appointment to their charge:
 - One-year appointment – Seventy-five percent of the verified moving expenses up to a maximum of \$3,000 reimbursement.
 - Two-year appointment – Fifty percent of the verified moving expenses up to a maximum of \$2,000 reimbursement.
3. No moving expenses will be reimbursed that are not in compliance with the Virginia Annual Conference Guidelines for Moving Expenses as printed in the Journal of the Virginia Annual Conference.

4. Payment will be made at the end of the year based on a pro-rata share of the apportionment receipts from the churches.

F. CONFERENCE JOURNAL

The 2014 *Journal* is to be made available by posting on the Virginia Conference website (www.vaumc.org) as a PDF file. It will be available as a CD or printed copy upon request at a cost of \$10 for the CD and \$25 for the print version. Requests for printed copies must be made by August 1 of the calendar year, and payment must be made at the time the order is placed. Only a small quantity of Journals will be printed and distributed in compliance with the Book of Discipline (606.2), to district offices, Conference staff, and those purchasing copies before the August 1 deadline.

G. CONFERENCE PUBLICATIONS:

It is recommended that the Conference-Provided Publications Committee be continued, composed of the following: (1) the Director of Connectional Ministries; (2) Conference Business Manager; (3) the *Journal* Editor; and (4) the Conference Director of Communications, who will serve as the convener of the committee. The Committee may convene at any time at the request of any committee member as long as a majority of the committee members are present. [The committee oversees the production and publication of the conference *Journal* and other such publications and mailings that are appropriate to keeping the conference members linked to the business of the Annual Conference.]

H. CLERGY DIRECTORY:

One copy of the *Directory of the Ministry* is to be mailed to all Virginia Conference clergy (active and retired, including lay pastors and diaconal ministers). Widows/widowers of clergy are also entitled to a free copy upon request. Additional copies may be purchased at a cost of \$4 each (includes shipping and handling). An updated version of the directory is available on the Conference website as a pdf file.

I. AUDIT REPORTS:

The Council on Finance and Administration reminds all district offices, agencies, institutions, and organizations receiving any financial support from conference funds or from any authorized conference-wide appeal to be in compliance with the *2012 Book of Discipline* 617.2 and 617.3 to submit audited financial statements to the Conference Treasurer by later than six months after the end of the organization's fiscal year.

J. IRS REGULATIONS:

CFA recommends that all church and/or charge treasurers comply with the IRS regulations.

K. REQUESTS FOR BUDGET FUNDING:

CFA recommends that all groups requesting funding from CFA submit requests for budget funding to CFA by January 15 of the year the request is being made. This will allow the requests to be reviewed by CFA in sufficient time for consideration at the Annual Conference Session the following June.

SECTION VI – A Church in Mission

We are a Church in Mission and a three-pronged focus of teaching, communication, and recognition enriches us as a Conference and as Christians. With it, we are able to share and learn further what it means to enter into the vision and share concerns with many people. But more importantly, it sets out a focus throughout our Conference on the value and importance of the unique connectional relationship we have as United Methodists.

Our charter has already been defined for us and it is set out in Scripture: “Just as in the human body, though it is made up of many parts, is a single unit, because of these parts, though many, make one body, so it is with Christ.” (1 Corinthians 12:12). And that body is composed of all of God’s children, including the rich and poor, found and lost, and secure and dispossessed. For as Jesus said, “Truly, I tell you, just as you did it to one of the least of these who are members of my family, you did it to me.” (Matthew 25:40).

As part of that body, we are called to serve our brothers and sisters in mission throughout the connection. Because of our covenant with God and with each other, it is our goal to fund the basic missional witness of the United Methodist Church.

We have much to be proud of as a Conference, as we live out the full meaning of the Stewardship of the Gospel. Our connectional giving — the important life blood of the work we all do together — is a reflection of the great commitment that Virginia United Methodists have to the mission and ministry work of our Lord. The budgets we draw up, while important, are more than a series of numbers. They reveal the very character of the people who build them, support them, and act through them. They are Christ’s work in the world, put into a plan for receiving and spending — collective understandings of commitments to fulfilling ministries and mission priorities. It’s no small thing we do individually, when collectively we are making such big impacts beyond our church doors.

The Stewardship of our Conference is part of our response to the needs we know about, as well as those not yet seen. Seeing the need, then doing what Jesus would do. That’s true Stewardship! It’s our faith in action!

SECTION VII — Response to 2013 Annual Conference

In response to a request for a review of regional cost of living adjustments for district superintendents’ salaries, the Council on Finance & Administration studied the issue and consulted with the Cabinet, concluding current policy sufficient to address this concern. A large portion of cost of living differences are due to variations in housing costs. The districts currently determine equitable housing benefits for its superintendents and CFA resolved that current policy provides the most equitable methodology to address cost of living adjustments on a regional basis.

Nathaniel L. Bishop, President

Report of the Treasurer

Cash Receipts for the Year Ending December 31, 2013

Apportioned Funds	Receipts 12/31/13	Receipts 12/31/12	Increase (Decrease)	Pct. Inc.\Dec.
<i>Conference Apportionments</i>				
401 Conference Mission & Ministries	3,159,517	3,009,764	149,753	4.98%
402 Conference Services	1,710,873	1,626,171	84,702	5.21%
403 District Superintendents	1,949,617	1,930,466	19,151	0.99%
404 Equitable Compensation	491,202	492,891	(1,689)	-0.34%
405 Church Extension & Development	441,413	663,998	(222,585)	-33.52%
406 Virginia Education Fund	865,666	819,356	46,310	5.65%
Subtotal	8,618,288	8,542,646	75,642	0.89%
<i>Clergy Benefit Apportionments</i>				
407 Active Clergy Health Benefits	8,107,863	7,868,386	239,477	3.04%
408 Retired Clergy Health & Pensions	5,107,893	4,889,113	218,780	4.47%
409 Pension Liability Assessment-Pre 82	1,244,637	1,770,812	(526,175)	-29.71%
Subtotal	14,460,393	14,528,311	(67,918)	-0.47%
<i>General & Jurisdictional Apportionments</i>				
410 Episcopal	791,996	847,419	(55,423)	-6.54%
411 World Service	2,656,127	2,654,067	2,060	0.08%
412 General Connectional	436,468	492,758	(56,290)	-11.42%
413 Ministerial Education	871,724	830,746	40,978	4.93%
414 Black College	355,024	344,906	10,118	2.93%
415 Africa University	81,909	76,741	5,168	6.73%
416 Interdenominational Coop.	70,429	67,153	3,276	4.88%
Subtotal	5,263,678	5,313,790	(50,112)	-0.94%
Total Apportioned Funds	28,342,358	28,384,747	(42,389)	-0.15%
Non-Apportionment Receipts				
Advance Specials				
GBGM	1,183,527	1,211,235	(27,708)	-2.29%
Va. Conference Advance Specials	108,477	153,888	(45,411)	-29.51%
Special Days				
Human Relations	11,931	10,965	966	8.81%
One Great Hour of Sharing	103,448	98,843	4,605	4.66%
Native American Ministries	20,284	18,135	2,149	11.85%
Peace with Justice	7,650	8,969	(1,319)	-14.71%
World Communion	29,280	25,968	3,312	12.75%
UM Student	11,852	19,515	(7,663)	-39.27%
Other Funds				
Christian Education Fund	2,831	1,589	1,242	78.16%
Youth Service	11,262	15,477	(4,215)	-27.23%
Samaritan Fund - VA Homes	37,021	37,308	(287)	-0.77%
UMFS	66,597	76,288	(9,691)	-12.70%
Comm. on Disab.\Camp Rainbow	61,048	71,686	(10,638)	-14.84%
Annual Conference Offering	197,442	190,507	6,935	3.64%
Other	103,608	115,839	(12,231)	-10.56%
Total Non-Apportioned Funds	1,956,258	2,056,212	(99,954)	-4.86%
Total Church Receipts	30,298,616	30,440,959	(142,343)	-0.47%

Statement of Changes in Conference Reserves
For the Year Ending December 31, 2013

Beginning of Year Balance		851,979
Conference Apportionment Closeouts		
Conference Mission & Ministries	226,662	
Conference Services	95,557	
District Superintendents Fund	97,801	
Equitable Compensation Fund	50,030	
	<hr/>	470,050
Income (Expenses) charged directly to reserves:		
Investment income	201,298	
Miscellaneous income	1,142	
	<hr/>	202,440
		<hr/>
End of Year Balance		<u><u>1,524,469</u></u>

**Statement of Receipts and Expenditures for Conference Apportioned Funds
For the Year Ending December 31, 2013**

	Receipts & Transfers	Expend.	Net	Beginning Balance	Reserve Closeout	Ending Balance
401 - Conference Mission & Ministries						
Conference Benevolence Grants	193,046	193,046	-	-	-	-
Conference Programs	232,528	191,942	40,586	-	-	40,586
New Church Start Salary Supp.	395,887	250,117	145,770	-	145,770	-
Campus Ministry	816,735	809,740	6,995	-	6,995	-
Program & Board Administration	1,498,676	1,424,779	73,897	-	73,897	-
	3,136,872	2,869,624	267,248	-	226,662	40,586
402 - Conference Services						
Board of Ordained Ministry	273,643	234,944	38,699	-	38,699	-
Assistant to Bishop	113,602	118,091	(4,489)	-	(4,489)	-
Annual Conference Session	200,223	214,367	(14,144)	-	(14,144)	-
Mortgage Debt Service	1,876,527	1,876,527	-	-	-	-
Treasurer's Office	424,472	426,216	(1,744)	-	(1,744)	-
Computer Services	108,110	124,406	(16,296)	-	(16,296)	-
Episcopal Budget Support	26,176	26,500	(324)	-	(324)	-
Episcopal Residence	10,000	9,200	800	-	800	-
Conference Publications Cmte	10,103	13,762	(3,659)	-	(3,659)	-
Council on Finance & Admin	7,357	3,677	3,680	-	3,680	-
Board of Trustees	2,053	909	1,144	-	1,144	-
Committee on Episcopacy	-	-	-	-	-	-
Historical Society	7,170	3,319	3,851	-	3,851	-
Cabinet Discretionary Fund	19,675	-	19,675	-	19,675	-
Pastor Relocation Transition	16,767	9,808	6,959	-	6,959	-
Conference Liability Insurance	26,690	11,756	14,934	-	14,934	-
Postage, Printing & Phone	61,065	60,759	306	-	306	-
Contingencies	60,264	14,099	46,165	-	46,165	-
United Methodist Center	276,768	251,814	24,954	66,632	-	91,586
Wesley Foundation Inc.	49,444	31,514	17,930	4,484	-	22,414
Archives	8,812	11,212	(2,400)	3,687	-	1,287
Legal Expenses	12,832	18,569	(5,737)	158,619	-	152,882
Conference Auto Allowance	4,962	1,977	2,985	7,518	-	10,503
Episcopal Residence Construct.	98,717	39,506	59,211	(139,357)	-	(80,146)
Conference Auto Allowance	4,962	1,977	2,985	7,518	-	10,503
Employee Moving Fund	-	-	-	8,563	-	8,563
	3,700,394	3,504,909	195,485	117,664	95,557	217,592
403 - District Superintendents Fund						
	1,949,617	1,851,816	97,801	-	97,801	-
404 - Equitable Compensation						
	476,202	426,172	50,030	-	50,030	-
405 - Church Extension Fund						
Church Extension Fund	259,961	329,815	(69,854)	2,895,373	-	2,825,519
District and grants	110,267	110,267	-	-	-	-
	370,228	440,082	(69,854)	2,895,373	-	2,825,519
406 - Virginia Education Fund						
	865,319	865,319	-	-	-	-
Total	10,498,632	9,957,922	540,710	3,013,037	470,050	3,083,697

<p>MEMBERS</p> <p>1000 N. 11th St., Suite 100 Norfolk, VA 23502</p> <p>MEMBERSHIP</p> <p>1000 N. 11th St., Suite 100 Norfolk, VA 23502</p> <p>1-800-445-2222</p>	<p>L.P. MARTIN & COMPANY</p> <p>MEMBERSHIP & FINANCIAL SERVICES</p> <p>1000 N. 11th St., Suite 100 Norfolk, VA 23502</p> <p>MEMBERSHIP & FINANCIAL SERVICES</p> <p>1000 N. 11th St., Suite 100 Norfolk, VA 23502</p>	<p>MEMBERSHIP</p> <p>1000 N. 11th St., Suite 100 Norfolk, VA 23502</p> <p>MEMBERSHIP & FINANCIAL SERVICES</p> <p>1000 N. 11th St., Suite 100 Norfolk, VA 23502</p>
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Independent Auditor's Report

To the Council on Finance and Administration
 The Central Treasury of The Virginia Annual
 Conference of The United Methodist Church

Report on the Financial Statements

We have audited the accompanying financial statements of The Central Treasury of The Virginia Annual Conference of The United Methodist Church, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Central Treasury of The Virginia Annual Conference of The United Methodist Church as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

L. P. Martin & Company, P.C.

Glen Allen, Virginia
 July 30, 2014

**THE CENTRAL TREASURY OF THE VIRGINIA ANNUAL
CONFERENCE OF THE UNITED METHODIST CHURCH**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

ASSETS

	Restricted	Temporarily Restricted	Total
Cash and Cash Equivalents	\$ (106,453)	\$ 2,568,348	\$ 2,461,895
Investments	-	3,576,435	3,576,435
ACCOUNTS RECEIVABLE			
Churches of the Conference	-	2,703,194	2,703,194
Other	-	27,849	27,849
TOTAL ACCOUNTS RECEIVABLE	-	2,731,043	2,731,043
Notes and Loans Receivable	-	1,027,874	1,027,874
Prepaid Expenses	-	24,758	24,758
PROPERTY AND EQUIPMENT			
United Methodist Office Building:			
Land and Improvements	683,019	-	683,019
Building	4,399,475	-	4,399,475
Furniture, Fixtures and Equipment	732,081	-	732,081
Episcopal Residence	551,499	-	551,499
	6,366,074	-	6,366,074
Less Accumulated Depreciation	(1,758,636)	-	(1,758,636)
NET PROPERTY AND EQUIPMENT	4,607,438	-	4,607,438
TOTAL ASSETS	\$ 4,501,985	\$ 9,895,458	\$ 14,397,443

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Total
LIABILITIES			
Fund Receipts Payable to Beneficiary Organizations and Other	\$ -	\$ 3,408,219	\$ 3,408,219
Prepaid Subscriptions and Registration	<u>-</u>	<u>85,769</u>	<u>85,769</u>
TOTAL LIABILITIES	-	3,493,988	3,493,988
NET ASSETS			
Unrestricted:			
General Operating Fund	(106,453)	-	(106,453)
Property and Equipment Fund	4,607,438	-	4,607,438
Temporarily Restricted:			
Funds of Boards and Agencies	<u>-</u>	<u>6,376,470</u>	<u>6,376,470</u>
TOTAL NET ASSETS	4,500,985	6,376,470	10,877,455
TOTAL LIABILITIES AND NET ASSETS	\$ 4,500,985	\$ 9,868,458	\$ 14,369,443

THE CENTRAL TREASURY OF THE VIRGINIA ANNUAL
CONFERENCE OF THE UNITED METHODIST CHURCH

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

ASSETS

	Unrestricted	Temporarily Restricted	Total
Cash and Cash Equivalents	\$ 717,794	\$ 1,857,455	\$ 2,575,247
Investments	-	4,075,323	4,075,323
<u>ACCOUNTS RECEIVABLE:</u>			
Churches of the Conference	-	3,071,723	3,071,723
Other	-	54,256	54,256
TOTAL ACCOUNTS RECEIVABLE	<u>-</u>	<u>3,125,979</u>	<u>3,125,979</u>
Notes and Loans Receivable	<u>-</u>	<u>922,634</u>	<u>922,634</u>
Prepaid Expenses	<u>-</u>	<u>50,827</u>	<u>50,827</u>
<u>PROPERTY AND EQUIPMENT:</u>			
United Methodist Office Building:			
Land and Improvements	683,019	-	683,019
Building	4,402,980	-	4,402,980
Furniture, Fixtures and Equipment	783,355	-	783,355
Bishopal Residence	525,099	-	525,099
	6,394,453	-	6,394,453
Less Accumulated Depreciation	(1,675,835)	-	(1,675,835)
NET PROPERTY AND EQUIPMENT	<u>4,718,618</u>	<u>-</u>	<u>4,718,618</u>
TOTAL ASSETS	\$ 5,136,412	\$ 10,032,210	\$ 15,168,628

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Total
LIABILITIES:			
Fund Receipts Payable to Beneficiary Organizations and Other	\$ 5,172	\$ 3,632,335	\$ 3,637,507
Prepaid Subscriptions and Registrations	-	103,207	103,207
Notes Payable	1,848,000	-	1,848,000
TOTAL LIABILITIES	<u>1,853,172</u>	<u>3,735,542</u>	<u>5,588,714</u>
NET ASSETS:			
Unrestricted:			
General Operating Fund	712,622	-	712,622
Property and Equipment Fund	2,870,618	-	2,870,618
Temporarily Restricted Funds of Boards and Agencies	-	6,296,674	6,296,674
TOTAL NET ASSETS	<u>3,583,240</u>	<u>6,296,674</u>	<u>9,879,914</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 5,436,412	\$ 10,032,216	\$ 15,468,628

THE CENTRAL TREASURY OF THE VIRGINIA ANNUAL CONFERENCE OF JUDICIAL ADMINISTRATORS IN RICH

STATEMENTS OF BALANCE SHEETS

YEARS ENDING DECEMBER 31, 1975

	Unrestricted		Temporarily Restricted	Total
	General Operating	Property and Equipment	Revolving Accounts	
	\$	\$	\$	\$
CURRENT ASSETS AND LIABILITIES				
Cash Receipts	6,349,837	-	6,349,837	6,349,837
Contributions	11,455,562	-	11,455,562	11,455,562
Virginia Bar Center	110,767	-	110,767	110,767
Subscriptions Received	21,301,547	-	21,301,547	21,301,547
TOTAL CURRENT ASSETS AND LIABILITIES	39,417,713	-	39,417,713	39,417,713
OTHER ASSETS				
Investment Funds	501,298	-	501,298	501,298
Real Estate	-	571,011	-	571,011
TOTAL OTHER ASSETS	501,298	571,011	-	1,072,309
TOTAL ASSETS, LIABILITIES AND FUND BALANCES	39,919,011	571,011	39,417,713	39,919,011
LIABILITIES				
Accounts Payable	6,349,837	-	6,349,837	6,349,837
Accounts Receivable	11,455,562	-	11,455,562	11,455,562
Prepaid Expenses	110,767	-	110,767	110,767
TOTAL LIABILITIES	18,916,166	-	18,916,166	18,916,166
CONFERENCE ACTIVITIES				
Conference Expenses	1,267,447	-	1,267,447	1,267,447
Travel Expenses	4,753,614	-	4,753,614	4,753,614
Printing Expenses	2,223,846	-	2,223,846	2,223,846
TOTAL CONFERENCE ACTIVITIES	8,244,907	-	8,244,907	8,244,907
PROPERTY AND EQUIPMENT				
Property and Equipment	189,112	-	189,112	189,112
TOTAL PROPERTY AND EQUIPMENT	189,112	-	189,112	189,112
NET ASSETS	20,998,844	571,011	20,427,833	20,998,844
NET ASSET TRANSFERS				
Property and Equipment Transfers	189,112	-	189,112	189,112
Accounts Payable Transfers	1,267,447	-	1,267,447	1,267,447
TOTAL NET ASSET TRANSFERS	1,456,559	-	1,456,559	1,456,559
COMPARISON OF NET ASSETS				
NET ASSETS, BEGINNING YEAR	19,542,285	571,011	19,113,274	19,542,285
NET ASSETS, ENDING YEAR	20,998,844	571,011	20,427,833	20,998,844

The accompanying notes are an integral part of these statements.

THE CENTRAL TREASURY OF THE VIRGINIA ANNUAL
CONFERENCE OF THE UNITED METHODIST CHURCH

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 997,541	\$ 1,158,275
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	199,312	304,679
Gain on Disposal of Episcopal Residence	-	(266,509)
Loss on Disposal of Property and Equipment	2,787	-
Net Realized Gain on Investments	442,538	-
Net Unrealized Gain on Investments	(100,092)	(226,239)
Changes in Assets and Liabilities Which Provided (Used) Cash		
Accounts Receivable	394,936	(231,916)
Prepaid Expenses	26,069	29,764
Accounts Payable	(248,726)	284,669
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,229,289	952,133
INVESTING ACTIVITIES:		
Advances on Notes Receivable, Net	(105,240)	(165,575)
Purchase of Property and Equipment	(99,919)	(741,053)
Proceeds from (Purchase of) Investments, Net	641,518	(56,632)
Proceeds from Disposal of Episcopal Residence, Net	-	390,372
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(45,641)	(572,888)
FINANCING ACTIVITIES:		
Payments on Notes Payable	(1,848,000)	(2,049,144)
Proceeds from Note Payable	-	2,016,000
NET CASH USED BY FINANCING ACTIVITIES	(1,848,000)	(33,144)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(173,352)	346,091
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,575,247	2,229,156
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,401,895	\$ 2,575,247

The accompanying notes are an integral part of these statements.

THE CENTRAL TREASURY OF THE VIRGINIA ANNUAL
CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Central Treasury receives and disburses, in accordance with the actions of the Annual Conference, remittances from local church treasurers for all duly authorized general, jurisdictional, Annual Conference, and district causes. It also implements administrative and fiscal policies and procedures as directed by the Council on Finance and Administration.

The purpose of the Council on Finance and Administration is to develop, maintain and administer a comprehensive and coordinated plan of fiscal and administrative policies, procedures and management services for the Annual Conference.

The purpose of the Annual Conference is to coordinate the relationship between the general program boards and commissions and the conference, districts and Virginia United Methodist local churches.

Basis of Presentation - The Central Treasury is required to report information regarding its financial position and activities according to three classes of net assets based upon the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets include the General Operating and Property and Equipment Funds. The General Operating Fund reflects all resources of the Central Treasury which are expendable at the discretion of the Council on Finance and Administration for any purpose in carrying out the operations of the Conference. The Property and Equipment Fund is used to account for asset additions, disposals and depreciation charges.

Temporarily restricted net assets include the Boards and Agencies Funds. This category includes net assets which are expendable for operating purposes; however, their use has been restricted by the donor (primarily local United Methodist churches) for specific purposes.

The Central Treasury has no permanently restricted net assets as of December 31, 2013 or 2012. This category includes net assets which would be subject to donor-imposed stipulations that they be maintained permanently by the Central Treasury.

Year-end Closing - The Central Treasury closes its books approximately fifteen days subsequent to December 31 each year in order to record final apportionment payments for the year from local churches and pay all expenditures for the Conference year then ended. Cash received and expended after December 31 is shown on the statements of financial position in these statements as accounts receivable and fund receipts payable.

(Continued)

THE CENTRAL TREASURY OF THE VIRGINIA ANNUAL
CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.
(Continued)

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recognition of Contributions - Contributions are recognized when the donor makes a promise to give to the Central Treasury that is, in substance, unconditional. Contributions recognized are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Valuation of Investments and Income Recognition - Investments are stated at fair value. Listed stocks and securities are valued at closing quotations, while unlisted securities are valued at the most recent bid price. Purchases and sales of securities are recorded on a trade-date basis. Unrealized gains and losses are recognized in the period in which they occur. Interest and dividends are recognized in the period earned, and realized gains or losses on securities are recorded in the period of sale.

Functional Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Property and Equipment - Property and equipment is stated at cost, or the estimated fair value at the date of contribution. Expenditures for maintenance, repairs and minor renewals are expensed when incurred. Depreciation is recorded using the straight-line method.

The Central Treasury reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to undiscounted expected cash flows. Future events could cause the Central Treasury to conclude that impairment indicators exist and that long-lived assets may be impaired. To date, no impairment losses have been recorded.

Income Taxes - The Conference is a not-for-profit organization and is exempt from federal and state income taxes.

(Continued)

THE CENTRAL TREASURY OF THE VIRGINIA ANNUAL
CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(Continued)

Contributed Materials and Services - During the two years presented, the value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would have been purchased if not contributed was not material to the financial statements and has not been recognized.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Central Treasury considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

NOTE 2 - INVESTMENTS

Cost and fair value of investments as of December 31, 2013 and 2012 are summarized as follows:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	\$ 2,967,919	\$ 3,451,394	\$ 3,035,375	\$ 3,418,758
Money Market Funds	125,041	125,041	656,565	656,565
	\$ 3,092,960	\$ 3,576,435	\$ 3,691,940	\$ 4,075,323

Investments in the amounts of \$2,974,782 and \$2,644,152 were managed by the United Methodist Foundation of the Virginia Conference, Inc. (the Foundation), an affiliate of the Central Treasury, as of December 31, 2013 and 2012, respectively. The General Board of Pension and Health Benefits of the United Methodist Church, through its investment arm Westpath Investment Management, was the custodian of investments in the amount of \$601,654 and \$1,431,166 as of December 31, 2013 and 2012, respectively.

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2013 and 2012:

December 31, 2013	Temporarily		Total
	Unrestricted	Restricted	
Interest and Dividends	\$ 58,668	\$ 98,914	\$ 157,582
Realized Gain on Investments	42,538	-	42,538
Unrealized Gain on Investments	<u>100,092</u>	<u>-</u>	<u>100,092</u>
Total Investment Return	\$ 201,298	\$ 98,914	\$ 300,212

(Continued)

THE CENTRAL TREASURY OF THE VIRGINIA ANNUAL
CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - INVESTMENTS (Continued)

December 31, 2012	Unrestricted	Temporarily Restricted	Total
Interest and Dividends	\$ 57,413	\$ 59,147	\$ 116,560
Unrealized Gain on Investments	226,339	-	226,339
Total Investment Return	\$ 283,652	\$ 59,147	\$ 342,799

NOTE 3 - CHARITABLE GIFT ANNUITY

During 2002 the United Methodist Foundation of the Virginia Conference, Inc. (the Foundation) entered into a charitable gift annuity agreement on behalf of the Conference. The asset associated with this annuity is included in the investments of the Central Treasury as presented in the financial statements. Quarterly payments of \$2,525 are to be paid to the donor until his death. Upon termination, the remaining value of the gift annuity is to be distributed to the Conference and designated for the cost to construct the Archives Room of the United Methodist Building.

At December 31, 2013 and 2012, the net asset balance included in the Funds of Boards and Agencies temporarily restricted net assets in connection with this gift annuity agreement amounts to \$0.

NOTE 4 - NOTES AND LOANS RECEIVABLE

Notes and loans receivable as of December 31, 2013 and 2012, are comprised of the following:

	<u>2013</u>	<u>2012</u>
Districts and Churches of the Conference	\$ 281,188	\$ 283,928
Francis Asbury Educational Loans	746,686	638,706
TOTAL	\$ 1,027,874	\$ 922,634

(Continued)

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NOTE 4 - NOTES AND LOANS RECEIVABLE (Continued)

The Church Development Team of the Conference makes loans to districts and churches of the Conference for acquisitions and improvements. A loan in the amount of \$174,928 is due from the Charlottesville District as of December 31, 2013 and 2012, respectively. This loan is non-interest bearing and there is no set maturity date. A loan is due from a local United Methodist Church as of December 31, 2013 and 2012 in the amount of \$106,260 and \$109,000, respectively. This loan bears interest at 4.0% per annum and matures in October, 2015. Loan disbursements have been paid from the Church Development Team Church Extension and Development Fund.

Francis Ashbury Educational Loans are made from funds given in memory of Francis Ashbury. Use of these loans is restricted to assisting qualified United Methodist students in obtaining a higher education. Loan terms require payment of principal and interest (at 4%) within six years of graduation or withdrawal.

The Central Treasury provides an allowance for doubtful collections that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the borrower. No allowance for doubtful collections is deemed necessary as of December 31, 2013 and 2012.

As of December 31, 2013 and 2012, the Central Treasury had received written intentions to give in the approximate amount of \$782,000 and \$1,100,000, respectively, in connection with the All Things New church development program. The intentions to give are not reflected in the accompanying financial statements.

NOTE 5 - CAMPUS MINISTRY BUILDINGS

The Conference is responsible to provide insurance coverage on eight Wesley Foundation campus ministry buildings located throughout the Conference territory. As of December 31, 2013, the insured value for these eight buildings approximates \$7,488,000. These buildings are owned by various Wesley Foundations. Accordingly, the value of these properties is not reflected in the accompanying statements of financial position.

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NOTE 6 - CAMP OVERTON

As of December 31, 2013 and 2012, the title to the property known as Camp Overton located in Rockingham County, Virginia is held by the Board of Trustees of the Virginia Annual Conference. The title dated March 12, 1975 is held for the benefit of those districts of the United Methodist Church which include the Virginia counties of Frederick, Warren, Page, Shenandoah, Rockingham and Augusta. Accordingly, the value of this property is not reflected in the accompanying statements of financial position.

NOTE 7 - NOTES PAYABLE

Notes payable at December 31, 2013 and 2012, consist of the following:

	<u>2013</u>	<u>2012</u>
\$2,016,000 note due in monthly principal installments of \$21,830 plus interest at 5.25%, maturing April, 2020	\$ -	\$ 1,848,000

During 2007, to minimize the effect of changes in its LIBOR based debt, the Central Treasury entered into two interest rate swap contracts. The first swap contract was effective April 1, 2002 and expired April 1, 2012. Under this \$1,500,000 swap contract, the Central Treasury paid interest at a fixed 6.91% rate and received interest at a floating LIBOR rate plus .85%. The second swap contract was effective July 1, 2007 and was due to expire July 1, 2007. Under this \$1,200,000 swap contract, the Central Treasury paid interest at a fixed 6.51% rate and received interest at a floating LIBOR rate plus .85%. On May 12, 2006, the \$1,200,000 swap contract was restructured whereby the Central Treasury paid interest at a fixed 6.75% rate and received interest at a floating LIBOR rate plus .85%. The restructured swap contract had a new expiration date of May 1, 2016. In addition to interest payments, the Central Treasury was required to make scheduled principal payments in connection with both swap contracts. During 2011, the Central Treasury made an accelerated principal payment of \$258,174 on its outstanding bank debt.

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THE CENTRAL TREASURY OF THE VIRGINIA ANNUAL
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NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 7 - NOTES PAYABLE, (Continued)

Effective April 1, 2012, the Central Treasury refinanced both swap contracts and consolidated them into one loan in the principal amount of \$2,016,000. The note payable was due in fixed monthly installments of principal of \$21,000 to the year 2020, and bore interest at the rate of 3.25%. The note was secured by a deed of trust on the Virginia United Methodist office building as well as a security interest in all deposits and investments maintained by the Central Treasury with the lender institution. In connection with the April 1, 2012 refinancing, an early termination loan fee was incurred by the Central Treasury in the amount of \$148,905. The outstanding balance of the note payable was paid in full during 2013.

Interest paid and expensed for the years ended December 31, 2013 and 2012 was \$28,527 and \$76,254, respectively.

NOTE 8 - RETIREMENT PLANS

Ministerial and lay employees of the Conference are eligible to participate in pension plans offered by the United Methodist Church. U.S. bishops, conference members, and local pastors under Episcopal appointment are eligible for pension coverage under the Clergy Retirement Security Program (CRSP), formerly the Ministerial Pension Plan (MPP).

In addition to the CRSP, certain ministerial employees are provided disability and death benefits as well as certain minimum benefits related to pension coverage through participation in the Comprehensive Protection Plan (CPP).

CRSP and CPP are defined contribution plans which currently encourage a three percent employee contribution and call for a 16.4 percent employer contribution (12 percent for CRSP and 4.4 percent for CPP). The contribution is limited to approximately the first \$67,900 of employee wages. CRSP and CPP pension expense for the Central Treasury amounted to approximately \$314,000 and \$318,000 for the years ended December 31, 2013 and 2012, respectively.

Conference lay employees are eligible for pension coverage under the United Methodist Personal Investment Plan (UMPIP), formerly the Cumulative Pension and Benefit Fund (CPBF). UMPIP is a defined contribution plan which currently calls for a three percent employee contribution and a nine percent employer contribution. UMPIP pension expense for the Central Treasury amounted to approximately \$106,000 and \$100,000 for the years ended December 31, 2013 and 2012, respectively.

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THE CENTRAL TREASURY OF THE VIRGINIA ANNUAL
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NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 8 - RETIREMENT PLANS (Continued)

The General Board of Pension and Health Benefits of the United Methodist Church, as a matter of its own policy, has changed certain retirement plan provisions from guaranteed to market-based yield agreements, and vice versa. This change in policy may have a direct effect on the Conference's benefit obligation including the obligation in connection with Supplement One to the Clergy Retirement Security Program, commonly referred to as the Pre-82 Pension Plan, and it could eventually result in the Conference's assumption of greater future benefits and related necessary increases in retirement contribution levels, which may result in a material adverse effect on the financial position of the Conference. These factors create some uncertainty about the Conference's ability to continue to fund current operations. The accompanying financial statements do not include any adjustments related to these contingencies.

NOTE 9 - COMMITMENTS

At December 31, 2013, the Church Development Team of the Conference has committed grants and loans to churches for approximately \$470,000 in connection with the Church Development Team Church Extension and Development Fund.

NOTE 10 - CONCENTRATEDNESS OF CREDIT RISK

Financial instruments which potentially subject the Central Treasury to concentrations of credit risk consist primarily of investments and cash and cash equivalents. The Central Treasury places its investments and its cash and cash equivalents with creditworthy institutions and diversifies its holdings among entities, thereby limiting the amount of credit exposure to any one entity. As of December 31, 2013, the Central Treasury has \$2,131,009 of cash deposits in excess of federally insured limits being held by a federally insured financial depository institution.

The investments of the Central Treasury, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. In addition, due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

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THE CENTRAL TREASURY OF THE VIRGINIA ANNUAL
CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 11 - CONTINGENCIES

The Conference, from time to time, is a defendant in civil actions. The Conference intends to vigorously defend the claims asserted against it by all claimants. Management believes that any ultimate liability arising from these actions should not have a material adverse effect on the financial position of the Conference. Due to uncertainties in the settlement process, it is at least reasonably possible that management's estimate of any ultimate liability will change within the near term.

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Central Treasury's investments are reported at fair value in the accompanying statements of financial position.

		Fair Value Measurements at Reporting Date Using:	
		Quoted Prices in Active Markets for Identical Assets	
	Fair Value	(Level 1)	
<u>December 31, 2013</u>			
Equity Funds	\$ 1,852,841	\$ 1,852,841	
Bond Funds	1,598,553	1,598,553	
Money Market Funds	125,041	125,041	
Total	\$ 3,576,435	\$ 3,576,435	
	Fair Value	(Level 1)	
<u>December 31, 2012</u>			
Equity Funds	\$ 1,428,572	\$ 1,428,572	
Bond Funds	1,990,186	1,990,186	
Money Market Funds	656,565	656,565	
Total	\$ 4,075,323	\$ 4,075,323	

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**THE CENTRAL TREASURY OF THE VIRGINIA ANNUAL
CONFERENCE OF THE UNITED METHODIST CHURCH**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS, (Continued)

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Central Treasury uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, The Central Treasury measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements

The fair values of equity funds, bond funds and money market funds are based on quoted market prices.

The carrying amounts of financial instruments including cash and cash equivalents and accounts receivable approximate fair value at December 31, 2013 and 2012, because of the relatively short maturity of these instruments.

The carrying value of notes receivable and notes payable approximate fair value at December 31, 2013 and 2012, based on the lending rates currently offered for loans with similar terms and maturities.

NOTE 13 - GENERAL OPERATING FUND

At December 31, 2013 and 2012, the components of the General Operating Fund are as follows:

	2013	<u>2012</u>
Council on Finance and Administration Reserve Fund	\$ 1,524,469	\$ 851,979
Intra-Conference Debt Fund Deficit	(1,550,776)	-
Episcopal Residence Construction Fund Deficit	(89,146)	<u>(139,357)</u>
TOTAL	\$ (106,453)	\$ 712,622

NOTE 14 - SUBSEQUENT EVENTS

The preparation of the financial statements includes an evaluation of subsequent events through July 30, 2014, which is the date that the financial statements were available to be issued.