To the Council of Finance and Administration
The New England Annual Conference of the United Methodist Church and Affiliate
Methuen, Massachusetts

INDEPENDENT AUDITORS’ REPORT

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of The New England Annual Conference of the United Methodist Church and Affiliate (collectively referred to as the Organization), which comprise the combined statement of financial position as of December 31, 2018, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management’s Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization’s preparation and fair presentation of the combined 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 Organization’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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
The New England Annual Conference of the United Methodist Church and Affiliate
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Basis for Qualified Opinion

The accompanying combined financial statements include the value of certain real property transferred to
the Organization in 1993 was estimated by management to be $5,849,459. We were unable to obtain audit
support regarding the methods used to value this real property and as a result we were unable to audit the
original cost and accumulated depreciation as of December 31, 2018 and the related depreciation expense for
the year ended December 31, 2018.

The Organization's 2017 combined financial statements did not properly disclose the accumulated retiree
healthcare benefit obligation. As a result, the Organization's 2018 combined financial statements do not
properly disclose the changes in the accumulated retiree healthcare benefit obligation and the components of
the retiree healthcare benefits charged to expense. In our opinion, disclosure of that information is required
to conform with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the matters discussed in the Basis for Qualified Opinion paragraphs, the combined
financial statements referred to above present fairly, in all material respects, the financial position of The
New England Annual Conference of the United Methodist Church and Affiliate as of December 31, 2018, and
the changes in their net assets and their cash flows for the year then ended in accordance with accounting
principles generally accepted in the United States of America.

Other Matter

The combined financial statements of The New England Annual Conference of the United Methodist Church
and Affiliate as of and for the year ended December 31, 2017 were audited by other auditors, whose report
dated July 26, 2018 expressed a qualified opinion on those statements because (1) they were unable to satisfy
themselves regarding the method used to value certain real property transferred to the Organization in 1993
and (2) the Organization did not disclose the changes in its accumulated retiree health care benefits
obligation and the components of the retiree health care benefits expense in accordance with accounting
principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken
as a whole. The supplemental combining statement of financial position as of December 31, 2018,
supplemental combining statement of activities - without donor restrictions, supplemental combining
statement of activities - with donor restrictions, and supplemental schedule of Boston area office cash
receipts, cash disbursements and fund balance for the year then ended are presented for purposes of
additional analysis rather than to present the financial position and changes in net assets of the Organization
and are not a required part of the combined financial statements. Such information is the responsibility of
management and was derived from and relates directly to the underlying accounting and other records used
to prepare the combined financial statements. The information has been subjected to the auditing procedures
applied in the audit of the combined financial statements and certain additional procedures, including
comparing and reconciling such information directly to the underlying accounting and other records used to
prepare the combined financial statements or to the combined financial statements themselves, and other
additional procedures in accordance with auditing standards generally accepted in the United States of
America. In our opinion, the information is fairly stated in all material respects in relation to the combined
financial statements as a whole.
The supplemental schedule of Boston area office cash receipts, cash disbursements and fund balance for the year ended December 31, 2017 was audited by other auditors and their report thereon dated July 26, 2018 stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements for the year ended December 31, 2017, as a whole.

Moody, Famiglietti & Andronico, LLP
Tewksbury, Massachusetts
July 25, 2019
<table>
<thead>
<tr>
<th>Combined Statements of Financial Position</th>
<th>The New England Annual Conference of the United Methodist Church and Affiliate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December 31</strong></td>
<td><strong>2018</strong></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 2,815,914</td>
</tr>
<tr>
<td>Investments</td>
<td>69,709,950</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>690,834</td>
</tr>
<tr>
<td>Notes Receivable</td>
<td>1,212,794</td>
</tr>
<tr>
<td>Other Assets</td>
<td>404,730</td>
</tr>
<tr>
<td>Property and Equipment, Net of Accumulated Depreciation</td>
<td>10,431,424</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$ 85,265,646</strong></td>
</tr>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$ 136,809</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>728,797</td>
</tr>
<tr>
<td>Accumulated Retiree Healthcare Benefits Obligation</td>
<td>27,759,130</td>
</tr>
<tr>
<td>Related Party and Other Long-Term Debt</td>
<td>1,199,162</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>29,823,898</strong></td>
</tr>
<tr>
<td><strong>Net Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Net Assets without Donor Restrictions</td>
<td>42,714,857</td>
</tr>
<tr>
<td>Net Assets with Donor Restrictions</td>
<td>12,726,891</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td><strong>55,441,748</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td><strong>$ 85,265,646</strong></td>
</tr>
</tbody>
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The accompanying notes are an integral part of these combined financial statements.