

**UNITED METHODIST RENEWAL  
SERVICES FELLOWSHIP, INC.  
dba ALDERSGATE RENEWAL MINISTRIES  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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# MCMURRAY, FOX & ASSOCIATES, PLLC CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Aldersgate Renewal Ministries, Inc.

We have audited the accompanying financial statements of United Methodist Renewal Services Fellowship, Inc. dba Aldersgate Renewal Ministries, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Methodist Renewal Services Fellowship, Inc. dba Aldersgate Renewal Ministries, Inc. as of December 31, 2018 and 2017, 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.

***McMurray, Fox & Associates***

McMurray, Fox & Associates, PLLC  
Hendersonville, Tennessee  
March 1, 2019

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.  
dba ALDERSGATE RENEWAL MINISTRIES  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 and 2017

**ASSETS**

	<u>2018</u>	<u>2017</u>
Current assets		
Cash	\$ 147,160	\$ 132,923
Inventory, net	10,003	15,722
Prepaid Assets	<u>2,500</u>	<u>-</u>
Total current assets	159,663	148,646
Fixed assets		
Property and equipment	1,980,475	1,943,397
Less: accumulated depreciation	<u>(936,163)</u>	<u>(886,982)</u>
Net property and equipment	1,044,312	1,056,415
Other assets		
Board designated endowment fund	<u>402,468</u>	<u>413,745</u>
Total other assets	402,468	413,745
 Total assets	 <u>\$ 1,606,443</u>	 <u>\$ 1,618,806</u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$ 7,982	\$ 8,047
Accrued liabilities	20,469	28,654
Line of credit	<u>-</u>	<u>25,000</u>
Total current liabilities	28,451	61,702
Net assets		
Without donor restrictions	1,540,197	1,548,924
With donor restrictions	<u>37,795</u>	<u>8,180</u>
Total net assets	<u>1,577,992</u>	<u>1,557,104</u>
 Total liabilities and net assets	 <u>\$ 1,606,443</u>	 <u>\$ 1,618,805</u>

See independent auditor's report and notes to the financial statements

**UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.**  
**dba ALDERSGATE RENEWAL MINISTRIES**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 381,229	\$ 35,281	\$ 416,510
Merchandise sales	33,623	-	33,623
Conference and other income	7,927	-	7,927
Registration	132,981	-	132,981
Realized and unrealized gain/loss	(12,276)	-	(12,276)
Building rental	47,833	-	47,833
Net assets released from restrictions (Note 2)	<u>5,666</u>	<u>(5,666)</u>	<u>-</u>
Total support and revenue	596,983	29,615	626,598
Expenses			
Program services	<u>423,839</u>	<u>-</u>	<u>423,839</u>
Total program services	423,839	-	423,839
Supporting services			
Management and general	162,629	-	162,629
Fundraising activities	<u>19,242</u>	<u>-</u>	<u>19,242</u>
Total supporting services	<u>181,871</u>	<u>-</u>	<u>181,871</u>
Total expenses	<u>605,710</u>	<u>-</u>	<u>605,712</u>
Change in net assets	(8,727)	29,615	20,888
Net assets at beginning of year	<u>1,548,924</u>	<u>8,180</u>	<u>1,557,104</u>
Net assets at end of year	<u>\$ 1,540,197</u>	<u>\$ 37,795</u>	<u>1,577,992</u>

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**UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.**  
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**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 495,302	\$ 30,938	\$ 526,240
Merchandise sales	37,525	-	37,525
Conference and other income	10,645	-	10,645
Registration	131,535	-	131,535
Realized and unrealized gain/loss	51,201	-	51,201
Building rental	45,120	-	45,120
Net assets released from restrictions (Note 2)	<u>32,395</u>	<u>(32,395)</u>	<u>-</u>
Total support and revenue	803,723	(1,457)	802,266
Expenses			
Program services	<u>507,138</u>	<u>-</u>	<u>507,138</u>
Total program services	507,138	-	507,138
Supporting services			
Management and general	182,170	-	182,170
Fundraising activities	<u>39,435</u>	<u>-</u>	<u>39,435</u>
Total supporting services	<u>221,604</u>	<u>-</u>	<u>221,604</u>
Total expenses	<u>728,742</u>	<u>-</u>	<u>728,742</u>
Change in net assets	74,981	(1,457)	73,524
Net assets at beginning of year	<u>1,473,943</u>	<u>9,637</u>	<u>1,483,580</u>
Net assets at end of year	<u>\$ 1,548,924</u>	<u>\$ 8,180</u>	<u>1,557,104</u>

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.  
dba ALDERSGATE RENEWAL MINISTRIES  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total
Advertising & promotion	\$ 2,284	1,495	374	\$ 4,152
Bank & merchant fees	-	6,082	602	6,684
Computer & internet expenses	4,848	3,173	793	8,814
Contract services	12,147	-	-	12,147
Cost of goods sold	11,960	-	-	11,960
Employee benefits	36,533	18,995	955	56,483
Equipment lease	-	9,949	-	9,949
Interest expense	-	864	-	864
Office expenses	8,124	5,317	1,329	14,770
Payroll taxes	7,196	4,710	1,178	13,084
Postage & shipping	3,784	2,477	619	6,880
Printing & publication	2,064	1,351	338	3,753
Professional services	3,988	2,610	653	7,250
Program expenses	99,906	-	-	99,906
Property insurance	9,096	5,116	-	14,212
Repairs & maintenance	8,886	-	-	8,886
Telephone	1,909	1,249	312	3,470
Travel	43,227	28,294	7,073	78,594
Utilities	12,993	8,505	2,126	23,624
Wages	110,633	57,523	2,891	171,046
Total expenses before depreciation	379,575	157,711	19,242	556,528
Depreciation	44,264	4,918	-	49,182
Total expenses	\$ 423,839	\$ 162,629	\$ 19,242	\$ 605,710

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.  
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STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Fundraising	Total
Advertising & promotion	\$ 6,868	\$ 4,496	\$ 1,124	\$ 12,488
Bank & merchant fees	-	6,738	666	7,405
Computer & internet expenses	5,514	3,609	902	10,025
Contract services	22,789	-	-	22,789
Cost of goods sold	7,229	-	-	7,229
Employee benefits	45,233	29,607	7,402	82,242
Equipment lease	-	9,175	-	9,175
Interest expense	-	1,599	-	1,599
Office expenses	6,076	3,976	994	11,046
Payroll taxes	6,006	3,932	983	10,921
Postage & shipping	3,701	2,422	606	6,729
Printing & publication	5,785	3,787	947	10,518
Professional services	3,946	2,583	646	7,175
Program expenses	177,331	-	-	177,331
Property insurance	9,069	5,101	-	14,170
Repairs & maintenance	13,449	-	-	13,449
Telephone	1,906	1,247	312	3,465
Travel	38,921	25,475	6,369	70,765
Utilities	12,249	8,018	2,004	22,271
Wages	100,712	65,921	16,480	183,113
Total expenses before depreciation	466,784	177,686	39,435	683,905
Depreciation	40,353	4,484	-	44,837
Total expenses	\$ 507,138	\$ 182,170	\$ 39,435	\$ 728,742

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**UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017**

	<u><b>2018</b></u>	<u><b>2017</b></u>
Cash flows from operating activities		
Increase in net assets	\$ 20,888	\$ 73,524
Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities:		
Depreciation	49,181	44,837
Provision for obsolete inventory	-	(3,968)
Decrease in Inventory	5,719	4,191
(Increase) in prepaid expenses	(2,500)	-
Increase (decrease) in accounts payable	(64)	1,176
(Decrease) in accrued liabilities	(8,185)	(3,994)
Total adjustments	<u>44,151</u>	<u>42,242</u>
Net cash provided by (used in) operating activities	65,039	115,766
Cash flows from investing activities:		
Purchase of fixed assets	(37,078)	(24,345)
Loss on endowment fund, net of custodial fees \$5,469	12,276	(51,201)
Addition to endowment fund	(1,000)	(3,000)
Redemption on endowment fund	<u>-</u>	<u>8,500</u>
Net cash provided by (used in) investing activities	(25,802)	(70,046)
Cash flow from financing activities:		
Payments toward line of credit	<u>(25,000)</u>	<u>(38,000)</u>
Net cash provided by (used in) financing activities	<u>(25,000)</u>	<u>(38,000)</u>
Net increase in cash	14,237	7,720
Cash at beginning of year	<u>132,923</u>	<u>125,203</u>
Cash at end of year	<u>\$ 147,160</u>	<u>\$ 132,923</u>
Cash paid for interest	\$ 864	\$ 1,599

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**UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Nature of Activities

The United Methodist Renewal Services Fellowship, Inc. dba Aldersgate Renewal Ministries, Inc. ("Fellowship"), a Tennessee nonprofit corporation chartered in 1978, provides support and planning for conferences devoted to Christian education, minister and church leadership training and limited international mission trips.

B. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

C. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of the Fellowship and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Fellowship and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the funds are received are reported in the statement of activities as net assets without donor restrictions.

D. Use of Estimates

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

E. Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. Inventory

Inventory is stated at the lower of cost or market. If inventory is donated, it is recorded at fair market value. The Fellowship periodically reviews the value of items in inventory and provides write-downs (allowance for obsolete inventory) or write-offs of inventory based on its assessment. These write-downs or write-offs are charged to cost of goods sold. The allowance for obsolete inventory at December 31, 2018 and 2017 is \$13,443.

G. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets which range from three and thirty-nine years.

The Fellowship's capitalization policy requires individual assets to be capitalized if the cost or fair market value exceeds \$500. Repair and maintenance costs are expensed as incurred.

H. Investments

Investments are stated at the readily determinable fair market value in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities*. All interest, dividends and unrealized gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. The carrying value of current assets and current liabilities approximate fair values due to the short maturities of these instruments. The fair value of the long-term debt approximates the carrying amount and is estimated based on current rates offered to the Fellowship.

I. Revenue Recognition

Contributions are recognized when received. In-kind contributions are recorded based on their estimated value on the date of the receipt. All contributions are considered to be without donor restriction unless specifically restricted by the donor. All donor-related restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Vacation and Sick Time**

The Fellowship allows for paid vacation and sick time. It allows full-time employees to receive three to five weeks of paid vacation based upon their years of service. Two weeks of vacation may be carried over annually. Accrued and unused vacation are paid upon termination.

Sick time is earned at a rate of one day per month, but the policy does not provide any remuneration for unused time. Sick time is carried over each year with a maximum available of forty-eight days.

**K. Functional Expenses**

Expenses are charged to program or management and general based on an allocation of time expended in each area by person, as determined by management.

**L. Advertising Costs**

Advertising costs are expensed as occurred. Advertising expense for the years ended December 31, 2018 and 2017 is \$4,152 and \$12,488, respectively.

**M. Income Taxes**

The Fellowship is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made.

**N. Reclassifications**

Certain reclassifications have been made in prior year to conform with current year presentation.

**O. New Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financials Statements of Not-for-Profit Entities effective for fiscal years beginning after December 15, 2017. The new pronouncement primarily changes net asset presentation from three net asset classifications to net assets with and without donor restrictions. We adopted new guidance January 1, 2018. We applied ASU No. 2016-14 retrospectively for the presentation of prior year financial statements. Permanently restricted and temporarily restricted assets were combined into net assets with donor restrictions.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

O. New Accounting Pronouncements (Continued)

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that the Board adopts as of the specified effective dates. Unless otherwise discussed, management believes the impact of any other recently issued standards that are not yet effective are either not applicable at this time or will not have a material impact on the financial statements upon adoption.

**NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods. If a period is not specified, it is available immediately.

Subject to expenditure for specified purpose and period:

	<u>2018</u>	<u>2017</u>
Conference scholarships	\$ 18,780	\$ 3,634
Available in 2022	3,000	-
Available in 2023	1,015	-
Building fund	-	133
Prayer ministries	-	4,413
Youth ministries	5,000	-
2019 budget expenditures	10,000	-
Total	<u>\$ 37,795</u>	<u>\$ 8,180</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors.

Purpose restrictions accomplished:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 1,120	\$ 32,395
Building fund	133	-
Prayer ministries	4,413	-
Total restrictions released	<u>\$ 5,666</u>	<u>\$ 32,395</u>

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**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of:

<u>Property and Equipment</u>	<u>2018</u>	<u>2017</u>
Land	\$ 279,718	\$ 279,718
Building	1,446,433	1,424,775
Improvements and equipment	<u>254,324</u>	<u>238,904</u>
Total property and equipment	1,980,475	1,943,397
Accumulated depreciation	<u>(936,163)</u>	<u>(886,982)</u>
Property and equipment, net	<u>\$ 1,044,312</u>	<u>\$ 1,056,415</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$49,182 and \$44,837, respectively. Depreciation was computed using the straight-line method.

**NOTE 4 – ACCRUED LIABILITIES**

Accrued liabilities consist of the following:

	<u>2018</u>	<u>2017</u>
Payroll & vacation accrual	\$ 5,260	\$ 4,546
Deferred registration fees	<u>15,209</u>	<u>24,108</u>
Total accrued liabilities	<u>\$ 20,469</u>	<u>\$ 28,654</u>

**NOTE 5 – FAIR VALUE MEASUREMENTS**

The Fellowship uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures of investments in equity securities that are classified as available-for-sale on a recurring basis.

FASB Accounting Standards Codification (ASC) 820-10 defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. ASC 820-10 also establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities as follows:

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**NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)**

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that the Fellowship has the ability to access at the measurement date.

Level 2 – Inputs that are observable either directly or indirectly for substantially the full-term of the asset or liability. Level 2 inputs include the following: quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; observable inputs other than quoted market prices that are used in the valuation of the assets or liabilities (e.g., interest rate and yield curve quotes at commonly quoted intervals); or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability (i.e., supported by little or no market activity), requires management to develop its own assumptions regarding the pricing of the asset or liability (including assumptions about risk).

	Total Carrying Value	Value Level 1	Value Level 2	Value Level 3
December 31, 2018				
Cash & money market	\$ 8,977	\$ 8,977	\$ -	\$ -
Equity securities	153,866	153,866	-	-
ETFs & CEFs	18,654	-	18,654	-
Mutual funds	220,972	-	220,972	-
Total assets at fair value	<u>\$ 402,469</u>	<u>\$ 162,843</u>	<u>\$ 239,626</u>	<u>\$ -</u>

	Total Carrying Value	Value Level 1	Value Level 2	Value Level 3
December 31, 2017				
Cash & money market	\$ 5,623	\$ 5,623	\$ -	\$ -
Equity securities	176,910	176,910	-	-
ETFs & CEFs	24,765	-	24,765	-
Mutual funds	206,448	-	206,448	-
Total assets at fair value	<u>\$ 413,745</u>	<u>\$ 182,533</u>	<u>\$ 231,212</u>	<u>\$ -</u>

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**NOTE 6 – LINE OF CREDIT**

At December 31, 2018, the Fellowship had a \$100,000 line of credit with Regions Bank. The line of credit is secured by the cottage located at 115 East Avenue, Goodlettsville, Tennessee. As of December 31, 2018, \$0 of the line of credit was outstanding with an interest rate of 7.65%. As of December 31, 2017, \$25,000 of the line of credit was outstanding with an interest rate of 6.65%. Bank advances on the line of credit are payable on demand.

**NOTE 7 – LEASE**

The Fellowship leases certain equipment under operating leases expiring at various times. Title of ownership does not pass to the lessee at any time. Normal repair and maintenance are included in the lease. However, per copy overage rates do apply.

Neopost Southeast – A twenty-four-month lease of a postage meter, scale, and postage machine for a quarterly lease payment of \$326 was entered into in November 2018. The lease is set to expire in November 2020.

RJ Young – A sixty-month lease of a Canon KX975 printer with a monthly payment of \$581 was entered into in October 2018. This lease replaces the prior copier lease which expired in October 2018.

Minimum lease payments for the next five years are as follows:

2019	\$	8,276
2020		8,059
2021		6,972
2022		6,972
2023		5,229
	\$	<u>35,508</u>

Rent expense for years ending December 31, 2018 and 2017 was \$6,883 and \$6,756, respectively.

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**NOTE 8 – RETIREMENT PLAN**

The Fellowship participates in a 403(b) tax-sheltered annuity plan in which all full-time employees with one year of service are eligible to participate. Contributions to the plan are determined by the Board of Directors. For the years ended December 31, 2018 and 2017, the Fellowship contributed \$9,532 and \$16,005, respectively.

**NOTE 9 – BOARD DESIGNATED ENDOWMENT FUND**

During 2000, a donor established a Donor Advised Matching Gift Fund. However, the donor asked to be and was released from his promise to pay the endowment. The release in return released the Fellowship from any and all restrictions placed on the Endowment. The Executive Committee has elected to continue to manage the fund as the donor intended; therefore, the endowment is considered a “board designated endowment fund” (“Fund”).

The Fellowship’s Executive Committee has set up and elected an additional committee to oversee the matters of the Fund. The Fund is to be a capital building investment. The Fellowship’s goal is to draw 8% of the Fund balance each year for the ministry programs. However, with committee and board approval, the Fellowship has used additional funds as the ministry has needed.

In 2017, the Board elected to increase the Fund by investing one half of all legacy fund contributions. The legacy fund is a donor restricted fund for scholarships that receives contributions in memory of others. One half of the contribution remains in cash and is available for scholarships immediately. The other half is invested with the endowment fund and is available for scholarships five years from the initial investments.

**Interpretation of Relevant Law**

Aldersgate Renewal Ministries is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor restricted endowment funds as net assets with donor restrictions because those net assets are time and purpose restricted until the Board of Trustees appropriates such amounts for expenditure, at which time those net assets will be reclassified to net assets without donor restrictions. The Board of Trustees of the Fellowship has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to the endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor restricted endowment funds, the Fellowship considers a fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund and any accumulation to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted

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**NOTE 9 – BOARD DESIGNATED ENDOWMENT FUND (CONTINUED)**

SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under law. Additionally, in accordance with SPMIFA, the Fellowship considers the following factors in making a determination to appropriate or accumulated donor restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) The investment policies of the Fellowship

**Net asset Composition**

The following is the endowment net asset composition by type of fund:

**Endowment Net Asset Composition by Type of Fund as of December 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 398,454	\$ -	\$ 398,454
Donor restricted endowment funds	-	-	-
Original donor restricted gift amount	-	4,015	4,015
Total funds	<u>\$ 398,454</u>	<u>\$ 4,015</u>	<u>\$ 402,469</u>

**Endowment Net Asset Composition by Type of Fund as of December 31, 2107**

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds			
Donor restricted endowment funds	\$ 359,544	\$ -	\$ 359,544
Original donor restricted gift amount	-	3,000	3,000
Accumulated investment gains	51,201	-	51,201
Total funds	<u>\$ 410,745</u>	<u>\$ 3,000</u>	<u>\$ 413,745</u>

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**NOTE 9 – BOARD DESIGNATED ENDOWMENT FUND (CONTINUED)**

Changes in endowment net assets

The following reconciles the change in endowment net assets:

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Balance	\$ 410,745	\$ 3,000	\$ 413,745
Endowment fund income	(12,276)	-	(12,276)
Contributions	-	1,000	1,000
Balance at Year End	<u>\$ 398,469</u>	<u>\$ 4,000</u>	<u>\$ 402,469</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Balance	\$ 368,044	\$ -	\$ 368,044
Endowment fund income	51,201	-	51,201
Contributions	-	3,000	3,000
Withdrawals for operating funds	(8,500)	-	(8,500)
Balance at Year End	<u>\$ 410,745</u>	<u>\$ 3,000</u>	<u>\$ 413,745</u>

Return Objects and Risk Parameters

Aldersgate Renewal Ministries, Inc. has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the organization must hold for a donor specified period as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P

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**NOTE 9 – BOARD DESIGNATED ENDOWMENT FUND (CONTINUED)**

500 index while assuming a moderate level of investment risk. The Fellowship expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate of return objectives, the Fellowship relies on a total return strategy in which investment returns are achieved through both capital appreciation (realize and unrealized) and current yield (interest and dividends). The Fellowship targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

**NOTE 10 – LIQUIDITY**

The following reflects Aldersgate Renewal Ministries, Inc.'s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves such action. However, amounts already appropriated from the quasi-endowment for general expenditure (8% of fund balance as discussed at Note 9) for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

Financial assets, as of December 31, 2018	\$ 549,528
Less: those unavailable for general expenditures within one year	
Due to contractual or donor-imposed restrictions:	
Restricted by donor with time or purposes restrictions	(33,576)
Board designations:	
Quasi-endowment fund, primarily for long-term investing	<u>(370,271)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 145,681</u>

Aldersgate Renewal Ministries, Inc. is substantially supported by contributions and conference registration fees which are primarily without donor restriction are available for general expenditures. The quasi-endowment fund was designated by the board of directors as a long-term investment facility however, the fund may be drawn upon in the event of financial distress

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**NOTE 10 – LIQUIDITY (CONTINUED)**

or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The Fellowship also has a line of credit of \$100,000 available to them for any immediate liquidity needs. As discussed in Note 6, there is no outstanding balance as of December 31, 2018.

**NOTE 11 – SUBSEQUENT EVENTS**

The Fellowship has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2018 through March 1, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.