

**UNITED METHODIST RENEWAL
SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

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MCMURRAY, FOX & ASSOCIATES, PLLC CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Aldersgate Renewal Ministries

We have audited the accompanying financial statements of United Methodist Renewal Services Fellowship, Inc. dba Aldersgate Renewal Ministries (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 as of December 31, 2020 and 2019, 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
April 15, 2021

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 105,173	\$ 132,548
Inventory, net	9,352	9,161
Prepaid assets	2,000	4,500
Total current assets	<u>116,525</u>	<u>146,209</u>
Fixed assets		
Property and equipment	2,078,337	2,068,178
Less: accumulated depreciation	<u>(1,054,802)</u>	<u>(993,159)</u>
Net property and equipment	<u>1,023,535</u>	<u>1,075,019</u>
Other assets		
Board designated endowment fund	<u>460,171</u>	<u>441,323</u>
Total other assets	<u>460,171</u>	<u>441,323</u>
Total assets	<u><u>\$ 1,600,231</u></u>	<u><u>\$ 1,662,551</u></u>

Liabilities and net assets

Current liabilities		
Accrued liabilities	<u>9,639</u>	<u>24,666</u>
Total current liabilities	<u>9,639</u>	<u>24,666</u>
Net assets		
Without donor restrictions	1,548,302	1,596,495
With donor restrictions	<u>42,290</u>	<u>41,390</u>
Total net assets	<u>1,590,592</u>	<u>1,637,885</u>
Total liabilities and net assets	<u><u>\$ 1,600,231</u></u>	<u><u>\$ 1,662,551</u></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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 354,237	\$ 1,000	\$ 355,237
Merchandise sales	10,536	-	10,536
Conference and other income	1,214	-	1,214
Registration	29,300	-	29,300
Realized and unrealized gain/loss	18,473	-	18,473
Building rental	43,192	-	43,192
Net assets released from restrictions (Note 2)	<u>100</u>	<u>(100)</u>	<u>-</u>
Total support and revenue	457,052	900	457,952
Expenses			
Program services	<u>365,177</u>	<u>-</u>	<u>365,177</u>
Total program services	365,177	-	365,177
Supporting services			
Management and general	<u>140,068</u>	<u>-</u>	<u>140,068</u>
Total supporting services	<u>140,068</u>	<u>-</u>	<u>140,068</u>
Total expenses	<u>505,245</u>	<u>-</u>	<u>505,245</u>
Change in net assets	(48,193)	900	(47,293)
Net assets at beginning of year	<u>1,596,495</u>	<u>41,390</u>	<u>1,637,885</u>
Net assets at end of year	<u>\$ 1,548,302</u>	<u>\$ 42,290</u>	<u>\$ 1,590,592</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 467,014	\$ 4,155	\$ 471,169
Merchandise sales	29,815	-	29,815
Conference and other income	8,261	-	8,261
Registration	88,336	-	88,336
Realized and unrealized gain/loss	68,919	-	68,919
Building rental	49,788	-	49,788
Net assets released from restrictions (Note 2)	<u>560</u>	<u>(560)</u>	<u>-</u>
Total support and revenue	712,693	3,595	716,288
Expenses			
Program services	<u>469,600</u>	<u>-</u>	<u>469,600</u>
Total program services	469,600	-	469,600
Supporting services			
Management and general	166,356	-	166,356
Fundraising activities	<u>20,439</u>	<u>-</u>	<u>20,439</u>
Total supporting services	<u>186,795</u>	<u>-</u>	<u>186,795</u>
Total expenses	<u>656,395</u>	<u>-</u>	<u>656,397</u>
Change in net assets	56,298	3,595	59,893
Net assets at beginning of year	<u>1,540,197</u>	<u>37,795</u>	<u>1,577,992</u>
Net assets at end of year	<u>\$ 1,596,495</u>	<u>\$ 41,390</u>	<u>\$ 1,637,885</u>

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

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Advertising & promotion	\$ 5,315	\$ 2,278	\$ 7,593
Bank & merchant fees	-	3,790	3,790
Computer & internet expenses	8,835	3,786	12,621
Contract services	7,594	-	7,594
Cost of goods sold	4,447	-	4,447
Employee benefits	44,214	18,949	63,163
Equipment lease	-	7,855	7,855
Office expenses	11,739	5,031	16,770
Payroll taxes	8,418	3,608	12,025
Postage & shipping	3,424	1,468	4,892
Printing & publication	4,251	1,822	6,073
Professional services	5,495	2,355	7,850
Program expenses	40,389	17,310	57,699
Property insurance	10,415	4,464	14,879
Repairs & maintenance	12,385	-	12,385
Telephone	2,423	1,038	3,461
Travel	14,859	6,368	21,227
Utilities	13,640	5,845	19,485
Wages	111,854	47,937	159,791
Total expenses before depreciation	309,697	133,904	443,601
Depreciation	55,480	6,164	61,644
Total expenses	<u>\$ 365,177</u>	<u>\$ 140,068</u>	<u>\$ 505,245</u>

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

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
Advertising & promotion	\$ 433	284	71	\$ 788
Bank & merchant fees	-	6,259	619	6,878
Computer & internet expenses	5,396	3,532	883	9,810
Contract services	3,853	-	-	3,853
Cost of goods sold	11,622	-	-	11,622
Employee benefits	42,638	22,169	1,114	65,921
Equipment lease	-	12,422	-	12,422
Office expenses	10,539	6,898	1,724	19,160
Payroll taxes	6,667	4,364	1,091	12,121
Postage & shipping	3,270	2,140	535	5,945
Printing & publication	3,961	2,592	648	7,201
Professional services	4,183	2,738	684	7,605
Program expenses	139,742	-	-	139,742
Property insurance	9,496	5,341	-	14,837
Repairs & maintenance	9,358	-	-	9,358
Telephone	1,916	1,254	313	3,483
Travel	46,111	30,182	7,546	83,839
Utilities	12,659	8,286	2,071	23,016
Wages	106,463	52,196	3,139	161,798
Total expenses before depreciation	418,304	160,656	20,439	599,399
Depreciation	51,295	5,700	-	56,996
Total expenses	\$ 469,600	\$ 166,356	\$ 20,439	\$ 656,395

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

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Increase in net assets	\$ (47,293)	\$ 59,893
Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities:		
Depreciation	61,643	56,996
Decrease in inventory	(191)	842
(Increase) in prepaid expenses	2,500	(2,000)
Increase (Decrease) in accounts payable	-	(7,981)
Increase (Decrease) in accrued liabilities	(15,027)	4,197
Total adjustments	<u>48,925</u>	<u>52,054</u>
Net cash provided by (used in) operating activities	1,632	111,947
Cash flows from investing activities:		
Purchase of fixed assets	(10,159)	(87,703)
Gain on endowment fund, net of	(18,473)	(68,919)
custodial fees of \$5,268 and \$5,340, respectively		
Addition to endowment fund	(375)	(2,094)
Redemption on endowment fund	<u>-</u>	<u>32,157</u>
Net cash provided by (used in) investing activities	(29,007)	(126,559)
Net (decrease) in cash	(27,375)	(14,612)
Cash at beginning of year	<u>132,548</u>	<u>147,160</u>
Cash at end of year	<u>\$ 105,173</u>	<u>\$ 132,548</u>

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The United Methodist Renewal Services Fellowship, Inc. dba Aldersgate Renewal Ministries ("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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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 (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, 2020 and 2019 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 Accounting Standards Codification ("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. The Fellowship adopted ASU 2016-01 Financial Instruments Recognition and Measurement of Financial Assets and Financial Liabilities effective January 1, 2019; the adoption had no effect on the financial statements.

I. Revenue Recognition

The Fellowship adopted FASB ASC 606, *Revenue from Contracts with Customers* effective January 1, 2019. There was no impact to the financial statements. 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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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

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, 2020 and 2019 is \$7,593 and \$788, 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 February 2016, the FASB issued ASU 2016-02, *Leases*, that provided new guidance related to accounting for leases. Under the new guidance, lessees are required to recognize a right-of-use asset and a lease liability for substantially all leases. The new guidance will continue to classify leases as either financing or operating, with classification affecting the pattern of expense recognition. The accounting applied by a lessor under the new guidance will be substantially equivalent to current lease accounting guidance. Entities have the option to adopt the new guidance using a modified retrospective approach through a cumulative effect adjustment to retained earnings applied either to the beginning of the earliest period presented or the beginning of the period of adoption. The new guidance is effective January 1, 2021 and will be applied using a modified retrospective approach through a cumulative effect adjustment to retained earnings. The

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. New Accounting Pronouncements (Continued)

Fellowship is in the process of measuring the effects of applying the accounting standard in future applicable periods.

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>2020</u>		<u>2019</u>
Conference scholarships	\$ 35,697	\$	36,147
Available in 2022	3,000		3,000
Available in 2023	1,015		1,015
Available in 2024	2,078		1,228
Available in 2025	500		-
Total	<u>\$ 42,290</u>	\$	<u>41,390</u>

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

Purpose restrictions accomplished:

	<u>2020</u>		<u>2019</u>
Scholarships	\$ 100	\$	560
Total restrictions released	<u>\$ 100</u>	\$	<u>560</u>

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of:

	<u>2020</u>	<u>2019</u>
Land	\$ 279,717	\$ 279,717
Building	1,522,333	1,522,333
Improvements and equipment	<u>276,287</u>	<u>266,128</u>
Total property and equipment	2,078,337	2,068,178
Accumulated depreciation	<u>(1,054,802)</u>	<u>(993,159)</u>
Property and equipment, net	<u>\$ 1,023,535</u>	<u>\$ 1,075,019</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$61,644 and \$56,996, respectively. Depreciation was computed using the straight-line method.

NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	<u>2020</u>	<u>2019</u>
Payroll & vacation accrual	\$ 9,152	\$ 8,078
Deferred registration fees	<u>487</u>	<u>16,588</u>
Total accrued liabilities	<u>\$ 9,639</u>	<u>\$ 24,666</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 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:

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.

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2019				
Cash & money market	\$ 3,766	\$ 3,766	\$ -	\$ -
Equity securities	216,064	216,064	-	-
ETFs & CEFs	13,199	-	13,199	-
Mutual funds	227,142	-	227,142	-
Total assets at fair value	<u>\$ 460,171</u>	<u>\$ 219,830</u>	<u>\$ 240,341</u>	<u>\$ -</u>

	Total Carrying Value	Value Level 1	Value Level 2	Value Level 3
December 31, 2019				
Cash & money market	\$ 3,583	\$ 3,583	\$ -	\$ -
Equity securities	180,624	180,624	-	-
ETFs & CEFs	22,451	-	22,451	-
Mutual funds	234,665	-	234,665	-
Total assets at fair value	<u>\$ 441,323</u>	<u>\$ 184,207</u>	<u>\$ 257,116</u>	<u>\$ -</u>

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 6 – LINE OF CREDIT

At December 31, 2020, the Fellowship had a \$100,000 line of credit with Regions Bank, secured by the cottage located at 115 East Avenue, Goodlettsville, Tennessee. The Fellowship did not draw on the line of credit during 2020.

NOTE 7 – LEASES

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 \$109 was entered into in January 2020. This lease replaces the prior lease that expired in June of 2020.

RJ Young – A sixty-month lease of a Canon KX975 printer with a monthly payment of \$442 was entered into in November 2020. This lease replaces the prior copier lease which had not yet expired. The Fellowship switched out equipment

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

2021	5,744
2022	5,309
2023	5,309
2024	5,309
2025	4,866
	<u>\$ 26,537</u>

Rent expense for years ending December 31, 2020 and 2019 was \$7,855 and \$8,276, respectively.

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, 2020 and 2019, the Fellowship contributed \$11,051 and \$10,277, respectively.

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NOTES TO FINANCIAL STATEMENTS
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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 Fellowship has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under law.

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NOTE 9 – BOARD DESIGNATED ENDOWMENT FUND (CONTINUED)

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 453,703	\$ -	\$ 453,703
Donor restricted endowment funds	-	6,468	6,468
Total funds	<u>\$ 453,703</u>	<u>\$ 6,468</u>	<u>\$ 460,171</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 435,230	\$ 4,000	\$ 439,230
Donor restricted endowment funds	-	2,093	2,093
Total funds	<u>\$ 435,230</u>	<u>\$ 6,093</u>	<u>\$ 441,323</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Balance	\$ 435,230	\$ 6,093	\$ 441,323
Endowment fund income	18,473	-	18,473
Contributions	-	375	375
Balance at Year End	<u>\$ 453,703</u>	<u>\$ 6,468</u>	<u>\$ 460,171</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Balance	\$ 398,468	\$ 4,000	\$ 402,468
Endowment fund income	68,919	-	68,919
Contributions	-	2,093	2,093
Board approved withdrawal	(32,157)	-	(32,157)
Balance at Year End	<u>\$ 435,230</u>	<u>\$ 6,093</u>	<u>\$ 441,323</u>

Return Objects and Risk Parameters

Aldersgate Renewal Ministries 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 Directors, 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 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.

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NOTE 9 – BOARD DESIGNATED ENDOWMENT FUND (CONTINUED)

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' 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, 2020	\$ 565,344
Less: those unavailable for general expenditures within one year	
Due to contractual or donor-imposed restrictions:	
Restricted by donor with time or purposes restrictions	(42,290)
Board designations:	
Quasi-endowment fund, primarily for long-term investing	<u>(459,796)</u>
Financial assets available to meet cash needs for general expenditures	
within one year	<u>\$ 63,258</u>

Aldersgate Renewal Ministries 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 or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

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