UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES

FINANCIAL STATEMENTS

DECEMBER 31, 2005

C. David Pitzer, P.C. Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Methodist Renewal Services Fellowship, Inc.
d/b/a Aldersgate Renewal Ministries

We have audited the accompanying statement of financial position of **United Methodist Renewal Services Fellowship, Inc. (d/b/a Aldersgate Renewal Ministries), a nonprofit organization**, as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibilities of the Fellowship's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Methodist Renewal Services Fellowship, Inc. as of December 31, 2005, and the changes in its nets assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

C. David Pitzer, P.C.

May 17, 2006

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TABLE OF CONTENTS

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2005

ASSETS

Current assets	
Cash	$ 112,117
Inventory	55,585
Promises to give	50,000
Total current assets	217,702
Property and equipment	
Automobile	14,075
Land	306,451
Building	1,395,925
Equipment	200,910
	1,917,361
Less: accumulated depreciation	(395,926)
Net property and equipment	1,521,435
Other assets	
Investments - non cash gifts	7,316
Endowment Fund	593,883
Closing costs on construction loan	5,443
Less: accumulated amortization	(3,499)
Total other assets	603,143
	$2,342,280

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	$ 2,943
Lines of credit	53,350
Total current liabilities	56,293
Net assets	
Unrestricted	1,542,243
Temporarily restricted	149,861
Permanently restricted	593,883
Total net assets	2,285,987
	$2,342,280

See accompanying notes and accountants' report.

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

	Unrestricted	Temporary	Permanent	Total
Public support and revenues				
Public support				
Contributions	$ 455,068	$ 235,765	$ 0	$ 690,833
Total public support	455,068	235,765	0	690,833
Revenues				
Sales of merchandise	47,781			47,781
Conference income		6,459		6,459
Registration		131,796		131,796
Interest and dividends	1083		18,249	19,332
In-kind gifts	115			115
Unrealized gain			140,658	140,658
Realized (loss)			(149,338)	(149,338)
Building rental		28,490		28,490
Other income	250		629	879
Grants	9,500			9,500
Net assets released from restrictions	509,179	(363,179)	(146,000)	0
Total revenues	567,908	(196,434)	(135,802)	235,672
Total public support and revenues	1,022,976	39,331	(135,802)	926,505
Expenses				
Program services				
Ministry services	571,958	0	0	571,958
Total program services	571,958	0	0	571,958
Supporting services				
Management and general	286,921	0	0	286,921
Fundraising services	79,402	0	0	79,402
Total supporting services	366,323	0	0	366,323
Total expenses	938,281	0	0	938,281
Increase (decrease) in net assets	84,695	39,331	(135,802)	(11,776)
Net assets at beginning of year	1,457,548	110,530	729,685	2,297,763
Net assets at end of year	$1,542,243	$ 149,861	$ 593,883	$2,285,987

See accompanying notes and accountants' report.

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Services	Supporting Services		
	Ministry	Fund-raising	Management and General	Total
Salaries	$ 182,284	$ 48,675	$ 112,452	$ 343,411
Employee benefits	50,910	14,377	31,198	96,485
Payroll taxes	9,063	2,535	5,236	16,834
Total personnel cost	242,257	65,587	148,886	456,730
Auto expense			1,402	1,402
Bank charges			4,912	4,912
Building repairs and maintenance			7,220	7,220
Computer software			3,869	3,869
Contract services	41,328			41,328
Continuing education			2,474	2,474
Donations	596			596
Dues and subscriptions			1,556	1,556
Equipment lease			4,344	4,344
Equipment repairs			1,798	1,798
Facility	39,688			39,688
Gifts and flowers	363			363
Grant seeking		3,814		3,814
Insurance			2,447	2,447
Interest expense			6,167	6,167
Meals and entertainment	54,058			54,058
Miscellaneous expense			1,160	1,160
Moving expense			1,032	1,032
Payroll service			2,021	2,021
Postage and shipping	15,884	5,132	3,421	24,437
Printing and publications	15,056	4,864	3,243	23,163
Program	35,612			35,612
Professional fees	3,500		5,536	9,036
Promotion			1,782	1,782
Property insurance	9,101		9,100	18,201
Purchases	29,238			29,238

See accompanying notes and accountants' report.

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Services	Supporting Services		
	Ministry	Fund-raising	Management and General	Total
Royalties	$	$	$ 294	$ 294
Scholarships given	2,836			2,836
Supplies	13,242			13,242
Taxes	1,338			1,338
Telephone	7,078			7,078
Travel expenses	61,585			61,585
Utilities			19,553	19,553
Total expenses before depreciation and in-kind expenses	571,958	79,402	231,954	883,314
Depreciation and Amortization			54,967	54,967
Total expenses	$ 571,958	$ 79,402	$ 286,921	$ 938,281

See accompanying notes and accountants' report.

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2005

Cash flows from operating activities	
Decrease in net assets	$ (11,776)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	54,967
Decrease in inventory	8,390
Decrease in promises to pay	41,080
Decrease in accounts payable	(8,612)
Total adjustments	95,825
Net cash provided by operating activities	84,049
Cash flows from investing activities:	
Purchase of equipment and other assets	(32,408)
Decrease in investments restricted in Endowment Fund	135,802
Net cash provided in investing activities	103,394
Cash flows from financial activities:	
Net borrowings under lines of credit	(16,060)
Payment on short-term debt	(50,000)
Payment on long-term debt	(40,250)
Net cash used in financing activities	(106,310)
Net increase in cash	81,133
Cash at beginning of year	30,984
Cash at end of year	$ 112,117

Supplemental Cash Flows Information

Total interest paid in 2005 was $6,167.
The Fellowship paid off debt totaling $103,550

See accompanying notes and accountants' report.

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The United Methodist Renewal Services Fellowship, Inc., d/b/a Aldersgate Renewal Ministries, a Tennessee nonprofit corporation chartered in 1978, provides support and planning for conferences devoted to Christian education.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payable, and other liabilities in accordance with generally accepted accounting principles.

C. Basis of Presentation

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

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

D. 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 provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

E. Revenue Recognition
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reports in the statement of activities as net assets released from restrictions.

F. Function Allocation of Expenses
The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Income Taxes

The Fellowship is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for federal income taxes is reflected in the accompanying financial statements. The Fellowship has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2005.

H. 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.

I. Fair Values of Financial Instruments

The carrying values 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.

J. Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in net assets in conformity with generally accepted accounting principles. Such data is also not comparable to a consolidation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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.

L. Inventory
Inventory is booked at fair market value at the time of donation and purchase. Inventory is stated at the lower of cost or market determined on the first-in, first-out basis.

M. Investments
Investments in marketable securities with readily determinable fair values. Unrealized gains and losses are included in the change in net assets.

N. Concentration of Risk
The Fellowship's main source of revenue consists of direct public support and registration to ministry events.

NOTE 2 - LINES OF CREDIT

At December 31, 2005, the Fellowship had a $50,000 line of credit with Regions Bank to be drawn upon as needed through December 31, 2006, with interest rate of 8.75%. As of December 31, 2005, $36,700 of the line of credit had been drawn down and was outstanding.

At December 31, 2005, the Fellowship had two credit cards with balances totaling $16,650. The variable rates were 15% and 17% as of December 31, 2005.

NOTE 3 - OPERATING LEASES

The Fellowship leases certain equipment under operating leases expiring at various times through March 2009. Title of ownership does not pass to the lessee at any time. Normal repair and maintenance is included in the lease. However, per copy overage rates do apply.

Hasler Financial Services, LLC - A sixty month lease of a postage meter, moistener, and postage machine for a monthly lease payment of $94. The lease will terminate in March 2009.

RJ Young Company - A twelve month lease for a Konica copier for a minimum monthly payment of $204. The lease will automatically renew in September 2006.

RJ Young Company - A twelve month lease for a Konica copier for a minimum quarterly payment of $114. The lease will automatically renew in October 2006.

The following is a schedule, by years, of future years minimum rental payments required under operating leases that have initial or remaining non-cancelable base terms in excess of one year as of December 31, 2005.

Year Ending December 31,	Amount
2006	1,128
2007	1,128
2008	1,128
2009	188

Rental expense for all operating leases for the year ended December 31, 2005 was $4,344.

NOTE 4 - RETIREMENT PLAN

The Fellowship participates in a 403(b) tax-sheltered annuity plan in which all employees are eligible to participate. Contributions to the plan are determined by the Board of Directors as salary reductions. The Fellowship contributed $33,222 to the plan in 2005.

NOTE 5 - 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. Giving this release in return released the Fellowship from any and all restrictions placed on the Endowment. The Executive Committee elected to continue to manage the fund as the donor intended.

The Fellowship's Executive Committee has set up and elected an additional committee to oversee the matters of this Endowment Fund. The Fund is to be a capital building investment. The Fellowship's goal is to only 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.

Chip
$1,060