

**UNITED METHODIST RENEWAL  
SERVICES FELLOWSHIP, INC.  
dba ALDERSGATE RENEWAL MINISTRIES  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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# Mc Murray & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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## 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 statement of financial position as of December 31, 2016, and the related statements of activities, cash flows and functional expenses for the year 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 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 financial statements are free of material misstatement.

An audit includes 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*McMurray & Associates*

McMurray & Associates, CPAs  
Hendersonville, Tennessee  
June 19, 2017

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.  
dba ALDERSGATE RENEWAL MINISTRIES  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016

**ASSETS**

Current assets	
Cash	\$ 125,203
Inventory, net	15,945
Total current assets	<u>141,148</u>
Fixed assets	
Property and equipment	1,919,051
Less: accumulated depreciation	<u>(842,144)</u>
Net property and equipment	1,076,907
Other assets	
Board designated endowment fund	<u>368,044</u>
Total other assets	<u>368,044</u>
Total assets	<u>\$ 1,586,099</u>

**LIABILITIES AND NET ASSETS**

Current liabilities	
Accounts payable	\$ 6,871
Accrued liabilities	32,648
Line of credit	<u>63,000</u>
Total current liabilities	102,519
Net assets	
Unrestricted	1,473,943
Temporarily restricted	<u>9,637</u>
Total net assets	<u>1,483,580</u>
Total liabilities and net assets	<u>\$ 1,586,099</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, 2016

	Unrestricted	Temporary restricted	Permanently restricted	Total
Support and revenue:				
Contributions	\$ 530,242	\$ 21,628	\$ -	\$ 551,870
Merchandise sales	49,448	-	-	49,448
Conference and other income	8,467	3,700	-	12,167
Registration	121,207	-	-	121,207
Realized and unrealized gain/loss	17,991	-	-	17,991
Building rental	44,620	-	-	44,620
Net assets released from restriction	<u>442,614</u>	<u>(29,513)</u>	<u>(413,101)</u>	<u>-</u>
Total support and revenue	1,214,589	(4,185)	(413,101)	797,303
Expenses				
Program services	<u>599,395</u>	<u>-</u>	<u>-</u>	<u>599,395</u>
Total program services	599,395	-	-	599,395
Supporting services				
Management and general	165,889	-	-	165,889
Fundraising activities	<u>46,939</u>	<u>-</u>	<u>-</u>	<u>46,939</u>
Total supporting services	<u>212,828</u>	<u>-</u>	<u>-</u>	<u>212,828</u>
Total expenses	<u>812,223</u>	<u>-</u>	<u>-</u>	<u>812,223</u>
Increase (decrease) in net assets	402,366	(4,185)	(413,101)	(14,920)
Net assets at beginning of year	<u>1,071,577</u>	<u>13,822</u>	<u>413,101</u>	<u>1,498,500</u>
Net assets at end of year	<u>\$ 1,473,943</u>	<u>\$ 9,637</u>	<u>\$ -</u>	<u>1,483,580</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, 2016

	Program Services	Management and General	Fundraising	Total
Advertising & promotion	\$ 1,016	\$ 428	\$ 143	\$ 1,587
Bank & merchant fees	-	7,932	881	8,813
Computer & internet expenses	5,455	2,301	767	8,524
Contract services	7,151	-	-	7,151
Cost of goods sold	34,547	-	-	34,547
Employee benefits	102,415	43,206	14,402	160,023
Equipment lease	-	7,184	-	7,184
Interest expense	-	4,443	-	4,443
Office expenses	6,746	2,846	949	10,540
Payroll taxes	8,932	3,768	1,256	13,957
Postage & shipping	6,543	2,760	920	10,224
Printing & publication	4,177	1,762	588	6,527
Professional services	5,807	2,450	817	9,074
Program expenses	171,065	-	-	171,065
Property insurance	10,370	3,836	-	14,206
Repairs & maintenance	7,602	-	-	7,602
Taxes & licenses	2,254	-	-	2,254
Telephone	2,236	943	314	3,493
Travel	39,141	16,515	5,503	61,161
Utilities	13,296	5,609	1,870	20,775
Wages	131,752	55,583	18,528	205,862
Total expenses before depreciation	560,505	161,568	46,939	769,012
Depreciation	38,890	4,321	-	43,211
Total expenses	\$ 599,395	\$ 165,889	\$ 46,939	\$ 812,223

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.  
dba ALDERSGATE RENEWAL MINISTRIES  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities	
Increase in net assets	\$ (14,920)
Adjustments to reconcile decrease in net assets to cash provided (used) by operating activities:	
Depreciation	43,211
Provision for obsolete inventory	17,411
Decrease in Inventory	3,585
Increase in accounts payable	5,471
Decrease in accrued liabilities	21,064
Total adjustments	<u>90,742</u>
Net cash provided by (used in) operating activities	75,822
Cash flows from investing activities:	
Purchase of fixed assets	(20,540)
Gain on endowment fund, net of custodial fees \$4,926	(17,991)
Redemption on endowment fund	<u>63,048</u>
Net cash provided by (used in) investing activities	24,517
Cash flow from financing activities:	
Proceeds from line of credit	13,000
Payments toward line of credit	<u>(30,000)</u>
Net cash provided by (used in) financing activities	<u>(17,000)</u>
Net increase in cash	83,339
Cash at beginning of year	<u>41,864</u>
Cash at end of year	<u><u>\$ 125,203</u></u>

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



UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.  
dba ALDERSGATE RENEWAL MINISTRIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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:

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 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 unrestricted.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Fellowship.

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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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. In the current year, the Fellowship recorded an allowance of \$17,411.

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 unrestricted net assets unless their use is temporarily or permanently 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 available for unrestricted use unless specifically restricted by the donor. All donor-related restricted support is 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 are reported in the statement of activities as net assets released from restrictions.

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NOTES TO FINANCIAL STATEMENTS  
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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 allocation by management.

L. Advertising Costs

Advertising costs are expensed as occurred. Advertising expense totaled \$1,587 for the year ended December 31, 2016.

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.

The Fellowship's Forms 990, Return of Organization Exempt from Income Tax, for the years 2014, 2015 and 2016 are subject to examination by the IRS, generally for the three years after they are filed.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of:

Land	\$	279,718
Building		1,405,843
Improvements and equipment		233,490
Total property and equipment		1,919,051
Accumulated depreciation		(842,144)
Property and equipment, net	\$	<u>1,076,907</u>

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**NOTE 2 – PROPERTY AND EQUIPMENT (continued)**

Depreciation expense for the year ended December 31, 2016 was \$43,211 and was computed using the straight-line method.

**NOTE 3 – ACCRUED LIABILITIES**

Accrued liabilities consist of the following as of December 31, 2016:

Property taxes	\$	1,855
Payroll & vacation accrual		3,291
Deferred registration fees		27,502
Total accrued liabilities	\$	<u>32,648</u>

**NOTE 4 – 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:

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.

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**NOTE 4 – FAIR VALUE MEASUREMENTS (continued)**

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).

December 31, 2016	Total Carrying Value	Value Level 1	Value Level 2	Value Level 3
Cash & money market	\$ 9,603	\$ 9,603	\$ -	\$ -
Equity securities	201,007	201,007	-	-
ETFs & CEFs	35,359	-	35,359	-
Mutual funds	122,075	-	122,075	-
Total assets at fair value	\$ 368,044	\$ 210,610	\$ 157,434	\$ -

**NOTE 5 – LINE OF CREDIT**

At December 31, 2016, 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, 2016, \$63,000 of the line of credit had been drawn down and was outstanding with an interest rate of 5.90%. Bank advances on the line of credit are payable on demand.

**NOTE 6 – 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 is included in the lease. However, per copy overage rates do apply.

Neopost Southeast – A sixty-three month lease of a postage meter, scale, and postage machine for a monthly lease payment of \$145. The lease is set to expire in August 2018.

RJ Young – A forty-eight month lease of a Canon C5235 printer with a monthly payment of \$418. The lease will expire in October 2017.

The future minimum lease payments are as follows:

2017	\$	5,920
2018	\$	1,160
Total	\$	<u>7,080</u>

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**DECEMBER 31, 2016**

**NOTE 7 – 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. The Fellowship contributed \$22,995 to the plan in 2016.

**NOTE 8 – 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”) and is considered unrestricted assets..

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. The activity for the year ended December 31, 2016 was as follows:

Balance at December 31, 2015	\$	413,101
Endowment fund income		17,991
Withdrawals for operating funds		(63,048)
Balance at December 31, 2016	\$	<u>368,044</u>

**NOTE 9 – SUBSEQUENT EVENTS**

The Fellowship has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2016 through June 19, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.

See independent auditor’s report