

UNITED METHODIST RENEWAL  
SERVICES FELLOWSHIP, INC.  
D/B/A  
ALDERSGATE RENEWAL MINISTRIES, INC.  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2010

## TABLE OF CONTENTS

Independent Auditor's Report	3
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Statement of Functional Expenses	7
Notes to Financial Statements	8-14
Report on Internal Control over Financial Reporting and on Compliance and Other Matters	15-16

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& Associates

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statement of financial position of United Methodist Renewal Services Fellowship, Inc. d/b/a Aldersgate Renewal Ministries, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility 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 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 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. d/b/a Aldersgate Renewal Ministries, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*McMurray & Associates*

McMurray & Associates, CPA's  
Hendersonville, Tennessee  
June 10, 2011

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

STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2010

ASSETS

Current assets	
Cash	\$ 101,307
Inventory	41,478
Total current assets	<u>142,785</u>
Property and equipment	
Land	286,451
Building	1,343,199
Equipment	213,565
	<u>1,843,215</u>
Less: accumulated depreciation	<u>(599,972)</u>
Net property and equipment	<u>1,243,243</u>
Other assets	
Endowment fund	<u>530,030</u>
Total other assets	<u>530,030</u>
	<u><u>\$ 1,916,058</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 18,402
Credit cards payable	3,731
Accrued liabilities	45,336
Total current liabilities	<u>67,469</u>
Long-term liabilities	
Line of credit	<u>77,054</u>
Total long-term liabilities	<u>77,054</u>
Net assets	
Unrestricted	1,152,801
Temporarily restricted	88,704
Permanently restricted	530,030
Total net assets	<u>1,771,535</u>
	<u><u>\$ 1,916,058</u></u>

See independent auditors' report and notes to the financial statements.

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

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporary	Permanent	Total
Public support and revenues				
Public support				
Contributions	\$ 255,729	\$ 297,130	\$ -	\$ 552,859
Total public support	<u>255,729</u>	<u>297,130</u>	<u>-</u>	<u>552,859</u>
Revenues				
Sales of merchandise	61,648	-	-	61,648
Conference income	-	19,395	-	19,395
Registration	-	144,154	-	144,154
Interest and dividends	511	-	2,431	2,942
Non cash gifts	1,044	-	-	1,044
Unrealized gain	-	-	66,923	66,923
Realized gain/loss	-	-	-	-
Building rental	-	34,895	-	34,895
Gain (loss) on sale of assets	-	-	-	-
Other income	-	-	-	-
Net assets released from	-	-	-	-
restrictions	<u>521,719</u>	<u>(474,402)</u>	<u>(47,317)</u>	<u>-</u>
Total revenues	<u>584,922</u>	<u>(275,958)</u>	<u>22,037</u>	<u>331,001</u>
Total public support and revenues	<u>840,651</u>	<u>21,172</u>	<u>22,037</u>	<u>883,860</u>
Expenses				
Program services				
Ministry services	<u>648,159</u>	<u>-</u>	<u>-</u>	<u>648,159</u>
Total program services	<u>648,159</u>	<u>-</u>	<u>-</u>	<u>648,159</u>
Supporting services				
Management and general	214,974	-	-	214,974
Fundraising services	<u>47,224</u>	<u>-</u>	<u>-</u>	<u>47,224</u>
Total supporting services	<u>262,198</u>	<u>-</u>	<u>-</u>	<u>262,198</u>
Total expenses	<u>910,357</u>	<u>-</u>	<u>-</u>	<u>910,357</u>
Increase (decrease) in net assets	(69,706)	21,172	22,037	(26,497)
Net assets at beginning of year	<u>1,222,507</u>	<u>67,532</u>	<u>507,993</u>	<u>1,798,032</u>
Net assets at end of year	<u>\$ 1,152,801</u>	<u>\$ 88,704</u>	<u>\$ 530,030</u>	<u>\$ 1,771,535</u>

See independent auditors' report and notes to the financial statements.

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

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010

Cash flows from operating activities	
decrease in net assets	<u>\$ (26,497)</u>
Adjustments to reconcile increase in net assets to	
cash provided by operating activities:	
Depreciation and amortization	40,321
Increase in inventory	(5,626)
Decrease in notes payable	800
Decrease in accounts payable	(18,398)
Increase in accrued liabilities	45,336
Increase in credit cards payable	<u>2,136</u>
Total adjustments	<u>64,569</u>
Net cash used by operating activities	38,072
Cash flows from investing activities:	
Purchase of equipment and other assets	(18,720)
Increase in investments restricted in	
Endowment fund	<u>(22,037)</u>
Net cash provided in investing activities	<u>(40,757)</u>
Cash flows from financing activities:	
Net borrowings under lines of credit	<u>24,350</u>
Net cash used in financing activities	<u>24,350</u>
Net increase in cash	<u>21,665</u>
Cash at beginning of year	79,642
Cash at end of year	<u><u>\$ 101,307</u></u>

Supplemental Cash Flow Information

Total interest paid in 2010 was \$3,756

See independent auditors' report and notes to the financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Services	Supporting Services		
	Ministry	Fundraising	Management and General	Total
Salaries	\$ 172,692	\$ 24,670	\$ 49,341	\$ 246,703
Employee benefits	70,607	10,087	20,173	100,867
Payroll taxes	13,211	1,887	3,775	18,873
Total personnel cost	256,510	36,644	73,289	366,443
Auto expense	-	-	280	280
Bank charges	-	-	7,878	7,878
Building repairs and maintenance	-	-	15,521	15,521
Computer software	-	-	12,541	12,541
Contract services	57,696	-	-	57,696
Continuing education	-	-	432	432
Dues and subscriptions	-	-	1,574	1,574
Equipment lease	-	-	8,300	8,300
Facility	62,612	-	-	62,612
Gifts and flowers	6,231	-	-	6,231
Insurance	-	-	1,540	1,540
Interest expense	-	-	3,756	3,756
Meals and entertainment	46,653	-	-	46,653
Payroll service	-	-	2,349	2,349
Postage and shipping	11,330	3,661	2,440	17,431
Printing and publications	10,050	3,247	2,165	15,462
Program	52,663	-	-	52,663
Professional fees	2,599	3,672	2,599	8,870
Promotion	3,974	-	3,974	7,947
Property insurance	9,730	-	9,730	19,459
Purchases	24,161	-	-	24,161
Scholarships given	1,000	-	-	1,000
Supplies	4,314	-	4,314	8,628
Staff royalties	3,013	-	-	3,013
Taxes	1,818	-	-	1,818
Telephone	5,964	-	-	5,964
Travel expenses	87,842	-	-	87,842
Utilities	-	-	21,972	21,972
Total expenses before depreciation and in-kind expenses	648,159	47,224	174,653	870,036
Depreciation and amortization	-	-	40,321	40,321
Total expenses	\$ 648,159	\$ 47,224	\$ 214,974	\$ 910,357

See independent auditors' report and notes to the financial statements.

**UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.**  
**d/b/a ALDERSGATE RENEWAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 1 – SUMMARY OF SIGIFICANT ACCOUNTING POLICIES**

A. Nature of Activities

The United Methodist Renewal Services Fellowship, Inc. d/b/a Aldersgate Renewal Ministries, Inc., 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 on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

C. Financial Statement Preparation

Financial statement presentation follows the recommendations of FASB ASC 958-205-55, *Not for Profit Entities – Presentation of Financial Statements – Implementation Guide and Illustrations*, 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.

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.

See auditors' report



**UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.**  
**d/b/a ALDERSGATE RENEWAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

**D. Contributions**

Contributions received or donor promises to give are recorded as temporarily restricted, permanently restricted, or unrestricted support, depending on the existence or nature of any donor restriction. Contributions made to the organization are considered available for unrestricted use unless specifically restricted by the donor. Contributions of property and equipment are reported as unrestricted contributions when placed in service unless the donor has restricted the use of the asset to a specific purpose or time period. Contributions of cash or other assets that must be used to acquire property and equipment are reported as increases in temporarily restricted net assets until the assets are acquired and placed in service as instructed by the donor.

All restricted support is reported as an increase in temporarily or permanently restricted net assets. However, support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is received. When a restriction expires, such as when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

**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.

See auditors' report

**UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.**  
**d/b/a ALDERSGATE RENEWAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 1 – SUMMARY OF SIGIFICANT 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, 2010.

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 Value of Financial Instruments

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.

J. 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.

K. Inventory

Inventory is stated at the average cost basis determined on the first-in, first-out basis. If inventory is donated, it is recorded at fair market value.

L. 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.

See auditors' report

**UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.**  
**d/b/a ALDERSGATE RENEWAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

M. Concentration of Risk

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

N. Promotion

The Fellowship expenses promotion costs as incurred. Promotion costs for the year ended December 31, 2010 were \$7,947.

O. Vacation and Sick Time

The Fellowship allows for paid vacation and sick time. It allows full time employees to receive two to four weeks of paid vacation based upon their years of service. Management has elected not to accrue vacation time because the amounts cannot be reasonably estimated and does not materially effect the financial statements.

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. According to FASB ASC 710-10, non-vesting sick time is not required to be accrued.

P. Date of Management's Review

Subsequent events have been evaluated through June 10, 2011, which is the date the financial statements were available to be issued.

See auditors' report

**UNITED METHODIST SERVICES FELLOWSHIP, INC.**  
**d/b/a ALDERSGATE RENEWAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 2 – PROPERTY, PLANT, AND EQUIPMENT**

Property and equipment consists of the following as of:

	<b>December 31, 2010</b>
<b>Land</b>	286,451
<b>Building</b>	1,343,199
<b>Equipment</b>	213,565
<b>Total property and equipment</b>	1,843,215
<b>Less accumulated depreciation</b>	(599,972)
<b>Property and equipment, net</b>	1,243,243

Depreciation charged to operations amounted to \$40,321 for the period ending December 31, 2010 and was computed using the straight line method for financial statement purposes and declining balance methods for tax.

The following is a summary of the estimated useful lives used for computing depreciation.

Furniture & equipment	3-7 years
Buildings	39 years

**NOTE 3 - INVESTMENTS**

The organization holds investments with Morgan Stanley. These investments are carried at the fair market value determined on December 31, 2010 using quoted market prices. The investments are as follows:

	<u>Fair Market</u> <u>Value</u>
Money Market	\$ 16,315
Equity Securities	174,461
Corporate and Government Bonds	<u>339,254</u>
	<u>\$ 530,030</u>

See auditors' report

**UNITED METHODIST SERVICES FELLOWSHIP, INC.**  
**d/b/a ALDERSGATE RENEWAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 4 – ACCRUED LIABILITIES**

Accrued liabilities consists of accrued property taxes and deferred revenue from conference registration dues collected before year-end for periods subsequent to December 31, 2010. The accruals are as follows:

Property Taxes	\$ 1,803
Registration Fees	<u>43,533</u>
Total	\$ <u>45,336</u>

**NOTE 5 – LINES OF CREDIT**

At December 31, 2010, the Fellowship had two credit cards with balances totaling \$3,731. The variable rates were 12% and 14% as of December 31, 2010.

At December 31, 2010, the Fellowship had a \$100,000 line of credit with Regions Bank to be drawn upon as needed through December 9, 2011, with interest rate equal to the Prime Rate. The line of credit is secured by the cottage located at 115 East Avenue, Goodlettsville, Tennessee. As of December 31, 2010, \$77,054 of the line of credit had been drawn down and was outstanding with an interest rate of 3.25%.

**NOTE 6 – OPERATING LEASES**

The Fellowship leases certain equipment under operating leases expiring at various times through March 2011. 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-three month lease of a postage meter, scale, and postage machine for a monthly lease payment of \$160. The lease is set to expire in March 2014.

Dex Imaging, Inc. – A forty-eight month lease for a Bizhub C252 printer with a monthly payment of \$433. The lease will expire in February 2012.

Balboa Capital – A forty-eight month lease of a C280 printer with a monthly payment of \$401. The lease will expire in December 2014.

See auditors' report

**UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.**  
**d/b/a ALDERSGATE RENEWAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**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 \$17,758 to the plan in 2010.

**NOTE 8 – 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 the 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 the 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.



CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS**

To the Board of Directors of  
United Methodist Renewal Services Fellowship, Inc.

We have audited the financial statements of United Methodist Renewal Services Fellowship, Inc., d/b/a Aldersgate Renewal Ministries, Inc. (a nonprofit organization) as of and for the year ended December 31, 2010 and have issued our report thereon dated June 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered United Methodist Renewal Services Fellowship, Inc., d/b/a Aldersgate Renewal Ministries, Inc.'s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Methodist Renewal Services Fellowship, Inc., d/b/a Aldersgate Renewal Ministries, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Methodist Renewal Services Fellowship, Inc., d/b/a Aldersgate Renewal Ministries, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under audit standards generally accepted in the United States of America.

This report is intended solely for the information and use of management, board of directors of United Methodist Renewal Services Fellowship, Inc., others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

*McMurray & Associates*

McMurray & Associates, CPA's  
Hendersonville, Tennessee  
June 10, 2011