

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

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**FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

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

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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, 2004, 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 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. as of December 31, 2004, and the changes in its net 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.*

June 16, 2005

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2004

ASSETS

Current assets	
Cash	\$ 30,984
Inventory	63,975
Promises to give	91,080
Total current assets	<u>186,039</u>
Property and equipment	
Automobile	14,075
Land	306,451
Building	1,378,956
Equipment	185,471
	<u>1,884,953</u>
Less: accumulated depreciation	<u>(341,736)</u>
Net property and equipment	<u>1,543,217</u>
Other assets	
Investments - non cash gifts	7,316
Endowment Fund	729,685
Closing costs on construction loan	5,444
Less: accumulated amortization	<u>(2,721)</u>
Total other assets	<u>739,724</u>
	<u>\$2,468,980</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 11,557
Lines of credit	69,410
Current installments of long-term debt	<u>50,000</u>
Total current liabilities	<u>130,967</u>
Long-term debt, less current installments	<u>40,250</u>
Total liabilities	<u>40,250</u>
Net assets	
Unrestricted	1,457,548
Temporarily restricted	110,530
Permanently restricted	<u>729,685</u>
Total net assets	<u>2,297,763</u>
	 <u>\$2,468,980</u>

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, 2004

	<u>Unrestricted</u>	<u>Temporary</u>	<u>Permanent</u>	<u>Total</u>
Public support and revenues				
Public support				
Contributions	\$ 303,235	\$ 649,777	\$ 0	\$ 953,012
Total public support	<u>303,235</u>	<u>649,777</u>	<u>0</u>	<u>953,012</u>
Revenues				
Sales of merchandise	41,330			41,330
Conference income		26,534		26,534
Registration		139,148		139,148
Interest and dividends	250		25,267	25,517
Non cash donations	51,878			51,878
In-kind gifts	1,063			1,063
Unrealized gain			216,454	216,454
Realized (loss)	(6,419)		(181,021)	(187,440)
Building rental		26,335		26,335
Other income	2,930			2,930
Gain on sale of assets	1,197			1,197
Net assets released from restrictions	981,485	(812,486)	(168,999)	0
Total revenues	<u>1,073,714</u>	<u>(620,469)</u>	<u>(108,299)</u>	<u>344,946</u>
Total public support and revenues	<u>1,376,949</u>	<u>29,308</u>	<u>(108,299)</u>	<u>1,297,958</u>
Expenses				
Program services				
Ministry services	578,020	0	0	578,020
Total program services	<u>578,020</u>	<u>0</u>	<u>0</u>	<u>578,020</u>
Supporting services				
Management and general	339,970	0	0	339,970
Fundraising services	80,481	0	0	80,481
Total supporting services	<u>420,451</u>	<u>0</u>	<u>0</u>	<u>420,451</u>
Total expenses	<u>998,471</u>	<u>0</u>	<u>0</u>	<u>998,471</u>
Increase (decrease) in net assets	378,478	29,308	(108,299)	299,487
Net assets at beginning of year	<u>1,079,070</u>	<u>81,222</u>	<u>837,984</u>	<u>1,998,276</u>
Net assets at end of year	<u>\$1,457,548</u>	<u>\$ 110,530</u>	<u>\$ 729,685</u>	<u>\$2,297,763</u>

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, 2004

	Program Services	Supporting Services		<u>Total</u>
	<u>Ministry</u>	<u>Fund- raising</u>	<u>Management and General</u>	
Salaries	\$ 167,173	\$ 51,917	\$ 123,501	\$ 342,591
Employee benefits	48,453	16,536	36,361	101,350
Payroll taxes	6,945	2,542	4,530	14,017
Total personnel cost	222,571	70,995	164,392	457,958
Auto expense			384	384
Bank charges			4,278	4,278
Building repairs and maintenance			15,493	15,493
Computer software			7,429	7,429
Contract services	27,093			27,093
Continuing education			669	669
Donations	19,885			19,885
Dues and subscriptions			1,473	1,473
Equipment lease			5,767	5,767
Facility	48,466			48,466
Gifts and flowers	109			109
Insurance			2,305	2,305
Interest expense			19,320	19,320
Meals and entertainment	46,463			46,463
Miscellaneous expense			1,085	1,085
Moving expense			2,519	2,519
Payroll service			1,964	1,964
Postage and shipping	13,664	4,414	2,943	21,021
Prayer ministry	247			247
Printing and publications	15,698	5,072	3,381	24,151
Program	41,862			41,862
Professional fees	3,500		8,488	11,988
Promotion			2,854	2,854
Property insurance	8,942		8,941	17,883
Property tax	1,442		1,441	2,883
Publishing and production	8,673			8,673
Purchases	15,802			15,802

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, 2004

	Program Services	Supporting Services		<u>Total</u>
	<u>Ministry</u>	<u>Fund- raising</u>	<u>Management and General</u>	
Refunds	\$ 2,812	\$	\$	\$ 2,812
Scholarships given	10,074			10,074
Supplies	13,963			13,963
Taxes			534	534
Telephone	10,480			10,480
Travel expenses	66,274			66,274
Utilities	<u>-</u>	<u>-</u>	<u>15,931</u>	<u>15,931</u>
Total expenses before depreciation and in-kind expenses	<u>578,020</u>	<u>80,481</u>	<u>271,591</u>	<u>930,092</u>
Depreciation and Amortization	<u>-</u>	<u>-</u>	<u>68,379</u>	<u>68,379</u>
Total expenses	<u>\$ 578,020</u>	<u>\$ 80,481</u>	<u>\$ 339,970</u>	<u>\$ 998,471</u>

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, 2004

Cash flows from operating activities	
Decrease in net assets	<u>\$ 299,487</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	68,379
Loss on the sale of assets	4,758
Increase in inventory	(48,523)
Increase in promises to pay	(91,080)
Decrease in accounts payable	<u>(25,176)</u>
Total adjustments	<u>(91,642)</u>
Net cash provided by operating activities	207,845
Cash flows from investing activities:	
Decrease in short-term investments	2,235
Purchase of equipment and other assets	(17,745)
Proceeds from the sale of assets	3,325
Proceeds from the sale of non-cash items	595
Decrease in investments restricted in Endowment Fund	<u>108,299</u>
Net cash provided in investing activities	<u>96,709</u>
Cash flows from financial activities:	
Net borrowings under lines of credit	17,033
Payment on short-term debt	(50,000)
Payment on long-term debt	<u>(309,750)</u>
Net cash used in financing activities	<u>(342,717)</u>
Net decrease in cash	(38,163)
Cash at beginning of year	<u>69,147</u>
Cash at end of year	<u>\$ 30,984</u>

Supplemental Cash Flows Information

Total interest paid in 2004 was \$19,320.  
The Fellowship paid off debt totaling \$359,750

See accompanying notes and accountants' report.

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

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

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.

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2004

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.

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2004

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, 2004.

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.

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2004

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, 2004, the Fellowship had a \$50,000 line of credit with Union Planters Bank to be drawn upon as needed through December 31, 2005, with interest rate of 6.75%. As of December 31, 2004, \$50,000 of the line of credit had been drawn down and was outstanding.

At December 31, 2004, the Fellowship had three credit cards with balances totaling \$19,410. The variable rates were 13% and 15% as of December 31, 2004.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3 - LONG-TERM DEBT

The Fellowship had a note payable to Regions Bank in the amount of \$85,250 as of December 31, 2004. Interest accrues at 6.8%. Monthly payments are due for interest only. A principal payment of \$50,000 is due on August 1<sup>st</sup> each year. The note matures August 1, 2006 and is secured by the building and land.

The Fellowship had notes payable to donors in the amount of \$5,000 as of December 31, 2004. Interest accrues at 0%. The notes mature variably and are unsecured.

A summary of future maturities of long-term debt as of December 31, 2004, is as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2005	\$ 50,000
2006	35,250
2007	5,000

NOTE 4 - 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 2005.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - OPERATING LEASES (CONTINUED)

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 2005.

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, 2004.

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2005	\$ 1,128
2006	1,128
2007	1,128
2008	1,128
2009	188

Rental expense for all operating leases for the year ended December 31, 2004 was \$5,294.

NOTE 5 - 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 \$33,339 to the plan in 2004.

NOTE 6 - ENDOWMENT FUND

During 2000, a donor established a Donor Advised Matching Gift Fund. However, the donor asked to be and was released from his

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 6 - ENDOWMENT FUND (CONTINUED)

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.

NOTE 7 - SUBSEQUENT EVENTS

On May 27, 2005, the Fellowship paid the last payment on all of its long term debt. The only debt of the corporation is with the credit cards and line of credit.