

**UNITED METHODIST RENEWAL
SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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MCMURRAY, FOX & ASSOCIATES, PLLC CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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, 2017, 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, Fox & Associates

McMurray, Fox & Associates, PLLC
Hendersonville, Tennessee
March 23, 2018

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Current assets	
Cash	\$ 132,923
Inventory, net	15,722
Total current assets	<u>148,645</u>
Fixed assets	
Property and equipment	1,943,397
Less: accumulated depreciation	(886,982)
Net property and equipment	<u>1,056,415</u>
Other assets	
Board designated endowment fund	413,745
Total other assets	<u>413,745</u>
Total assets	<u><u>\$ 1,618,805</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 8,047
Accrued liabilities	28,654
Line of credit	25,000
Total current liabilities	<u>61,701</u>
Net assets	
Unrestricted	1,548,924
Temporarily restricted	8,180
Total net assets	<u>1,557,104</u>
Total liabilities and net assets	<u><u>\$ 1,618,805</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, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:				
Contributions	\$ 495,302	\$ 30,938	\$ -	\$ 526,240
Merchandise sales	37,525	-	-	37,525
Conference and other income	10,645	-	-	10,645
Registration	131,535	-	-	131,535
Realized and unrealized gain/loss	51,201	-	-	51,201
Building rental	45,120	-	-	45,120
Net assets released from restriction	<u>32,395</u>	<u>(32,395)</u>	<u>-</u>	<u>-</u>
Total support and revenue	803,723	(1,457)	-	802,266
Expenses				
Program services	<u>506,714</u>	<u>-</u>	<u>-</u>	<u>506,714</u>
Total program services	506,714	-	-	506,714
Supporting services				
Management and general	182,663	-	-	182,663
Fundraising activities	<u>39,365</u>	<u>-</u>	<u>-</u>	<u>39,365</u>
Total supporting services	<u>222,028</u>	<u>-</u>	<u>-</u>	<u>222,028</u>
Total expenses	<u>728,742</u>	<u>-</u>	<u>-</u>	<u>728,742</u>
Increase (decrease) in net assets	74,981	(1,457)	-	73,524
Net assets at beginning of year	<u>1,473,943</u>	<u>9,637</u>	<u>-</u>	<u>1,483,580</u>
Net assets at end of year	<u>\$ 1,548,924</u>	<u>\$ 8,180</u>	<u>\$ -</u>	<u>1,557,104</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, 2017

	Program Services	Management and General	Fundraising	Total
Advertising & promotion	\$ 6,868	\$ 4,496	\$ 1,124	\$ 12,488
Bank & merchant fees	-	6,738	666	7,405
Computer & internet expenses	5,514	3,609	902	10,025
Contract services	22,789	-	-	22,789
Cost of goods sold	7,229	-	-	7,229
Employee benefits	44,809	29,330	7,332	81,471
Equipment lease	-	9,175	-	9,175
Interest expense	-	1,599	-	1,599
Office expenses	6,076	3,976	994	11,046
Payroll taxes	6,006	3,932	983	10,921
Postage & shipping	3,701	2,422	606	6,729
Printing & publication	5,785	3,787	947	10,518
Professional services	3,946	2,583	646	7,175
Program expenses	177,331	-	-	177,331
Property insurance	9,069	5,101	-	14,170
Repairs & maintenance	13,449	-	-	13,449
Staff development	-	770	-	770
Telephone	1,906	1,247	312	3,465
Travel	38,921	25,475	6,369	70,765
Utilities	12,249	8,018	2,004	22,271
Wages	100,712	65,921	16,480	183,113
Total expenses before depreciation	466,361	178,179	39,365	683,905
Depreciation	40,353	4,484	-	44,837
Total expenses	\$ 506,714	\$ 182,663	\$ 39,365	\$ 728,742

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities	
Increase in net assets	\$ 73,524
Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities:	
Depreciation	44,837
Provision for obsolete inventory	(3,968)
Decrease in Inventory	4,191
Increase in accounts payable	1,176
Decrease in accrued liabilities	(3,994)
Total adjustments	<u>42,242</u>
Net cash provided by (used in) operating activities	115,766
Cash flows from investing activities:	
Purchase of fixed assets	(24,345)
Gain on endowment fund, net of custodial fees \$4,936	(51,201)
Addition to endowment fund	(3,000)
Redemption on endowment fund	<u>8,500</u>
Net cash provided by (used in) investing activities	(70,046)
Cash flow from financing activities:	
Payments toward line of credit	<u>(38,000)</u>
Net cash provided by (used in) financing activities	<u>(38,000)</u>
Net increase in cash	7,720
Cash at beginning of year	<u>125,203</u>
Cash at end of year	<u>\$ 132,923</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, 2017

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. The allowance for obsolete inventory at December 31, 2017 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 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 \$12,488 for the year ended December 31, 2017.

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.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of:

Land	\$ 279,718
Building	1,424,775
Improvements and equipment	<u>238,904</u>
Total property and equipment	1,943,397
Accumulated depreciation	<u>(886,982)</u>
Property and equipment, net	<u>\$ 1,056,415</u>

Depreciation expense for the year ended December 31, 2017 was \$44,837 and was computed using the straight-line method.

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NOTE 3 – ACCRUED LIABILITIES

Accrued liabilities consist of the following as of December 31, 2017:

Payroll & vacation accrual	\$	4,546
Deferred registration fees		24,108
Total accrued liabilities	\$	<u>28,654</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.

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).

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NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

	Total Carrying Value	Value Level 1	Value Level 2	Value Level 3
December 31, 2017				
Cash & money market	\$ 5,623	\$ 5,623	\$ -	\$ -
Equity securities	176,910	176,910	-	-
ETFs & CEFs	24,765	-	24,765	-
Mutual funds	206,448	-	206,448	-
Total assets at fair value	<u>\$ 413,745</u>	<u>\$ 182,533</u>	<u>\$ 231,212</u>	<u>\$ -</u>

NOTE 5 – LINE OF CREDIT

At December 31, 2017, 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, 2017, \$25,000 of the line of credit was outstanding with an interest rate of 6.65%. 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 2018.

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 \$16,005 to the plan in 2017.

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

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NOTE 8 – BOARD DESIGNATED ENDOWMENT FUND (CONTINUED)

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, 2017 was as follows:

Balance at December 31, 2016	\$	368,044
Endowment fund income		51,201
Contributions		3,000
Withdrawals for operating funds		<u>(8,500)</u>
Balance at December 31, 2017	\$	<u>413,745</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, 2017 through March 23, 2018, 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