

UNITED METHODIST RENEWAL
SERVICES FELLOWSHIP, INC.
D/B/A
ALDERSGATE RENEWAL MINISTRIES, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Mc Murray
& Associates

CERTIFIED PUBLIC ACCOUNTANTS

641 East Main Street
Hendersonville, TN 37075

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McMurray & Associates

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641 East Main Street
Hendersonville, TN 37075
(615) 824-2724
Fax (615) 822-3522

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 financial statements of United Methodist Renewal Services Fellowship, Inc. d/b/a Aldersgate Renewal Ministries, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depends on the auditor's judgment, including the assessment of the risk 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. d/b/a Aldersgate Renewal Ministries, Inc. as of December 31, 2013, 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 20, 2014

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013

ASSETS

| | |
|--------------------------------|---------------------|
| Current assets | |
| Cash | \$ 52,628 |
| Accounts receivable | - |
| Inventory | 43,431 |
| Total current assets | <u>96,059</u> |
| Property and equipment | |
| Land | 279,718 |
| Building | 1,356,572 |
| Equipment | 234,104 |
| | <u>1,870,393</u> |
| Less: accumulated depreciation | (717,455) |
| Net property and equipment | <u>1,152,938</u> |
| Other assets | |
| Endowment fund | 467,040 |
| Total other assets | <u>467,040</u> |
| | <u>\$ 1,716,036</u> |

LIABILITIES AND NET ASSETS

| | |
|-----------------------------|---------------------|
| Current liabilities | |
| Accounts payable | \$ 8,554 |
| Credit cards payable | 2,719 |
| Accrued liabilities | 25,287 |
| Total current liabilities | <u>36,560</u> |
| Long-term liabilities | |
| Line of credit | 90,000 |
| Total long-term liabilities | <u>90,000</u> |
| Net assets | |
| Unrestricted | 1,091,769 |
| Temporarily restricted | 30,667 |
| Permanently restricted | 467,040 |
| Total net assets | <u>1,589,475</u> |
| | <u>\$ 1,716,036</u> |

See independent auditor's 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, 2013

| | Unrestricted | Temporary | Permanent | Total |
|---------------------------------------|---------------------|------------------|-------------------|---------------------|
| Public support and revenues | | | | |
| Public support | | | | |
| Contributions | \$ 293,076 | \$ 185,823 | \$ - | \$ 478,899 |
| Total public support | <u>293,076</u> | <u>185,823</u> | <u>-</u> | <u>478,899</u> |
| Revenues | | | | |
| Sales of merchandise | 73,912 | - | - | 73,912 |
| Conference income | - | 17,158 | - | 17,158 |
| Registration | - | 172,492 | - | 172,492 |
| Interest and dividends | - | - | - | - |
| Non cash gifts | - | - | - | - |
| Unrealized Gain | - | - | - | - |
| Realized gain/loss | - | - | 43,243 | 43,243 |
| Building rental | - | 36,121 | - | 36,121 |
| Gain (loss) on sale of assets | - | 28,267 | - | 28,267 |
| Other income | - | - | - | - |
| Net assets released from restrictions | <u>496,732</u> | <u>(453,376)</u> | <u>(43,356)</u> | <u>-</u> |
| Total revenues | <u>570,644</u> | <u>(199,338)</u> | <u>(113)</u> | <u>371,193</u> |
| Total public support and revenues | <u>863,720</u> | <u>(13,515)</u> | <u>(113)</u> | <u>850,092</u> |
| Expenses | | | | |
| Program services | | | | |
| Ministry services | 583,288 | - | - | 583,288 |
| Total program services | <u>583,288</u> | <u>-</u> | <u>-</u> | <u>583,288</u> |
| Supporting services | | | | |
| Management and general | 214,307 | - | - | 214,307 |
| Fundraising services | 70,318 | - | - | 70,318 |
| Total supporting services | <u>284,625</u> | <u>-</u> | <u>-</u> | <u>284,625</u> |
| Total expenses | <u>867,913</u> | <u>-</u> | <u>-</u> | <u>867,913</u> |
| Increase (decrease) in net assets | (4,192) | (13,515) | (113) | (17,821) |
| Net assets at beginning of year | <u>1,095,961</u> | <u>44,182</u> | <u>467,153</u> | <u>1,607,296</u> |
| Net assets at end of year | <u>\$ 1,091,769</u> | <u>\$ 30,667</u> | <u>\$ 467,040</u> | <u>\$ 1,589,475</u> |

See independent auditor's 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, 2013

| | Program Services | Supporting Services | | Total |
|------------------------------------------------------------|---------------------|---------------------|---------------------------|------------|
| | Ministry | Fundraising | Management and General | |
| Salaries | \$ 138,244 | \$ 41,473 | \$ 50,690 | \$ 230,407 |
| Employee benefits | 63,635 | 19,091 | 23,333 | 106,059 |
| Payroll taxes | 10,576 | 3,173 | 3,878 | 17,626 |
| Total personnel cost | 212,455 | 63,737 | 77,900 | 354,092 |
| Auto expense | - | - | 151 | 151 |
| Bank charges | - | - | 9,257 | 9,257 |
| Brokerage fees | - | - | 5,517 | 5,517 |
| Building repairs and maintenance | - | - | 18,915 | 18,915 |
| Computer software | - | - | 7,440 | 7,440 |
| Contract services | 59,734 | - | - | 59,734 |
| Continuing education | - | - | 350 | 350 |
| Dues and subscriptions | - | - | 1,499 | 1,499 |
| Equipment lease | - | - | 7,985 | 7,985 |
| Facility | 122,710 | - | - | 122,710 |
| Gifts and flowers | 1,580 | - | - | 1,580 |
| Insurance | - | - | 1,496 | 1,496 |
| Interest | - | - | 5,608 | 5,608 |
| Meals and entertainment | 41,751 | - | - | 41,751 |
| Payroll service | 751 | 225 | 275 | 1,252 |
| Planned giving | 1,200 | - | - | 1,200 |
| Postage and shipping | 8,667 | 2,600 | 3,178 | 14,445 |
| Printing and publications | 8,799 | 2,640 | 3,226 | 14,665 |
| Program | 18,102 | - | - | 18,102 |
| Professional fees | 3,720 | 1,116 | 1,364 | 6,200 |
| Promotion | 860 | - | 860 | 1,720 |
| Property insurance | 6,088 | - | 6,088 | 12,176 |
| Purchases | 24,381 | - | - | 24,381 |
| Rent | - | - | - | - |
| Scholarships given | 418 | - | - | 418 |
| Supplies | 3,264 | - | 3,264 | 6,529 |
| Staff royalties | - | - | - | - |
| Taxes | 1,855 | - | - | 1,855 |
| Telephone | 3,658 | - | - | 3,658 |
| Travel expenses | 63,294 | - | - | 63,294 |
| Utilities | - | - | 20,660 | 20,660 |
| Total expenses before depreciation and in-kind expenses | 583,288 | 70,318 | 175,034 | 828,640 |
| Depreciation and amortization | - | - | 39,273 | 39,273 |
| Total expenses | \$ 583,288 | \$ 70,318 | \$ 214,307 | \$ 867,913 |

See independent auditor's 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, 2013

| | |
|----------------------------------------------------|-------------------------|
| Cash flows from operating activities | |
| decrease in net assets | <u>\$ (17,821)</u> |
| Adjustments to reconcile increase in net assets to | |
| cash provided by operating activities: | |
| Depreciation and amortization | 39,273 |
| (Gain) loss in endowment fund | 113 |
| (Increase) decrease in accounts receivable | 21,000 |
| (Increase) decrease in inventory | (3,886) |
| Increase (decrease) in accounts payable | (3,332) |
| Increase (decrease) in credit cards payable | (6,397) |
| Increase (decrease) in accrued liabilities | <u>(6,717)</u> |
| Total adjustments | <u>40,054</u> |
| Net cash used by operating activities | 22,233 |
| Cash flows from investing activities: | |
| Purchase of equipment and other assets | <u>(6,799)</u> |
| Net cash provided in investing activities | (6,799) |
| Cash flows from financing activities: | |
| Net (borrowings) payments for line of credit | <u>4,411</u> |
| Net cash used in financing activities | 4,411 |
| Net increase in cash | <u>19,845</u> |
| Cash at beginning of year | 32,783 |
| Cash at end of year | <u><u>\$ 52,628</u></u> |

Total interest paid in 2013 was \$5,608

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT 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. Basis of Presentation

Financial statement presentation follows the recommendations of FASB ASC 958-205-55, *Not for Profit Entities – Presentation of Financial Statements – Implementation Guide and Illustrations*, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of Aldersgate Renewal Ministries, Inc. 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 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 Fellowship. Generally, the donors of these assets permit the Fellowship to use all or part of the income earned and any related investments for general or specific purposes.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purpose are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

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.

See auditor's report

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

F. 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.

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 five to thirty-nine years. Expenditures for repairs and maintenance are charged to expense 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 as revenue when received.

Contributed assets are recorded at fair value at the date of donation.

Conference fees are recognized as revenue during the year in which the conference held relates to the fees collected.

J. 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 affect 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.

See auditor's report

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

K. Program Services

Program services include organizing and hosting the Aldersgate conference, providing renewal and cross-cultural ministry opportunities.

L. Concentration of Risk

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

M. Promotion

The Fellowship expenses promotion costs as incurred. Promotion costs for the year ended December 31, 2013 were \$1,720.

N. 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, 2013.

NOTE 2 – PROPERTY, PLANT, AND EQUIPMENT

Property and equipment consists of the following as of:

| | December 31, 2013 |
|--------------------------------------|--------------------------|
| Land | 279,718 |
| Building | 1,356,572 |
| Equipment | 234,104 |
| Total property and equipment | 1,870,393 |
| Less accumulated depreciation | (717,455) |
| Property and equipment, net | 1,152,938 |

Depreciation charged to operations amounted to \$39,273 for the period ending December 31, 2013 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 | 5-10 years |
| Improvements | 15-27.5 years |
| Buildings | 39 years |

See auditor's report

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3 - INVESTMENTS

The organization holds investments with Morgan Stanley. These investments are carried at the fair market value determined on December 31, 2013 using quoted market prices. The investments are as follows:

| | <u>Fair Market Value</u> |
|---------------------|------------------------------|
| Cash & money market | \$ 17,338 |
| Equity securities | 132,565 |
| Mutual funds | <u>317,137</u> |
| | <u>\$ 467,040</u> |

NOTE 4 - ACCRUED LIABILITIES

Accrued liabilities consist of accrued property taxes and deferred revenue from conference registration dues collected before year-end for periods subsequent to December 31, 2013. The accruals are as follows:

| | |
|----------------------------|---------------|
| Property Taxes | \$ 1,855 |
| Deferred registration Fees | <u>23,432</u> |
| Total | \$ 25,287 |

NOTE 5 - LINES OF CREDIT

At December 31, 2013, the Fellowship had one credit card with a balance totaling \$793 with a variable rate of 0% and a second credit card with a balance totaling \$1,926 with a variable rate of 0%.

At December 31, 2013, 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, 2013, \$90,000 of the line of credit had been drawn down and was outstanding with an interest rate of 6.00%.

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 6 – OPERATING LEASES

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.

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 2015.

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.

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 \$14,756 to the plan in 2013.

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 draw 2% less than the annual return 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 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, 2013 through June 20, 2014, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.