

**UNITED METHODIST RENEWAL
SERVICES FELLOWSHIP, INC.
D/B/A
ALDERSGATE RENEWAL MINISTRIES, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITORS' 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, 2011, 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, 2011, 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 22, 2012

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

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2011

ASSETS

Current assets	
Cash	\$ 72,594
Inventory	45,447
Total current assets	<u>118,041</u>
Property and equipment	
Land	286,451
Building	1,345,644
Equipment	228,315
	<u>1,860,410</u>
Less: accumulated depreciation	(638,977)
Net property and equipment	<u>1,221,433</u>
Other assets	
Endowment fund	459,976
Total other assets	<u>459,976</u>
	<u>\$ 1,799,450</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 9,370
Credit cards payable	2,399
Accrued liabilities	43,470
Total current liabilities	<u>55,239</u>
Long-term liabilities	
Line of credit	88,514
Total long-term liabilities	<u>88,514</u>
Net assets	
Unrestricted	1,140,936
Temporarily restricted	54,785
Permanently restricted	459,976
Total net assets	<u>1,655,697</u>
	<u>\$ 1,799,450</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, 2011

	Unrestricted	Temporary	Permanent	Total
Public support and revenues				
Public support				
Contributions	\$ 323,768	\$ 222,373	\$ -	\$ 546,141
Total public support	<u>323,768</u>	<u>222,373</u>	<u>-</u>	<u>546,141</u>
Revenues				
Sales of merchandise	86,781	-	-	86,781
Conference income	-	22,084	-	22,084
Registration	-	170,254	-	170,254
Interest and dividends	57	-	-	57
Non cash gifts	-	-	-	-
Unrealized loss	-	-	(23,658)	(23,658)
Realized gain/loss	-	-	-	-
Building rental	-	34,438	-	34,438
Gain (loss) on sale of assets	-	-	-	-
Other income	-	-	-	-
Net assets released from restrictions	-	-	-	-
	529,464	(483,068)	(46,396)	-
Total revenues	<u>616,302</u>	<u>(256,292)</u>	<u>(70,054)</u>	<u>289,956</u>
Total public support and revenues	<u>940,070</u>	<u>(33,919)</u>	<u>(70,054)</u>	<u>836,097</u>
Expenses				
Program services				
Ministry services	642,246	-	-	642,246
Total program services	<u>642,246</u>	<u>-</u>	<u>-</u>	<u>642,246</u>
Supporting services				
Management and general	223,189	-	-	223,189
Fundraising services	86,500	-	-	86,500
Total supporting services	<u>309,689</u>	<u>-</u>	<u>-</u>	<u>309,689</u>
Total expenses	<u>951,935</u>	<u>-</u>	<u>-</u>	<u>951,935</u>
Increase (decrease) in net assets	(11,865)	(33,919)	(70,054)	(115,838)
Net assets at beginning of year	<u>1,152,801</u>	<u>88,704</u>	<u>530,030</u>	<u>1,771,535</u>
Net assets at end of year	<u>\$ 1,140,936</u>	<u>\$ 54,785</u>	<u>\$ 459,976</u>	<u>\$ 1,655,697</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, 2011

Cash flows from operating activities	
decrease in net assets	\$ (115,838)
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Depreciation and amortization	39,005
Increase in inventory	(3,969)
Decrease in credit cards payable	(1,332)
Decrease in accounts payable	(9,032)
Decrease in accrued liabilities	(1,866)
Total adjustments	<u>22,806</u>
Net cash used by operating activities	(93,032)
Cash flows from investing activities:	
Purchase of equipment and other assets	(17,195)
Decrease in investments restricted in Endowment fund	<u>70,054</u>
Net cash provided in investing activities	52,859
Cash flows from financing activities:	
Net borrowings under lines of credit	<u>11,460</u>
Net cash used in financing activities	11,460
Net decrease in cash	<u>(28,713)</u>
Cash at beginning of year	101,307
Cash at end of year	<u><u>\$ 72,594</u></u>

Total interest paid in 2011 was \$5,203.

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, 2011

	Program Services	Supporting Services		
	Ministry	Fundraising	Management and General	Total
Salaries	\$ 147,296	\$ 52,427	\$ 49,930	\$ 249,653
Employee benefits	62,790	22,349	21,285	106,424
Payroll taxes	11,300	4,022	3,830	19,152
Total personnel cost	221,386	78,798	75,045	375,229
Auto expense	-	-	279	279
Bank charges	-	-	8,443	8,443
Brokerage Fees	-	-	3,993	3,993
Building repairs and maintenance	-	-	18,513	18,513
Computer software	-	-	8,470	8,470
Contract services	57,089	-	-	57,089
Continuing education	-	-	661	661
Dues and subscriptions	-	-	1,538	1,538
Equipment lease	-	-	8,170	8,170
Facility	102,052	-	-	102,052
Gifts and flowers	1,108	-	-	1,108
Insurance	-	-	1,780	1,780
Interest	-	-	5,203	5,203
Meals and entertainment	59,422	-	-	59,422
Payroll service	-	-	2,229	2,229
Postage and shipping	8,596	3,059	2,914	14,569
Printing and publications	9,387	3,341	3,183	15,911
Program	54,646	-	-	54,646
Professional fees	3,658	1,302	1,240	6,200
Promotion	2,118	-	2,117	4,235
Property insurance	8,654	-	8,654	17,308
Purchases	27,021	-	-	27,021
Rent	-	-	3,000	3,000
Scholarships given	756	-	-	756
Supplies	5,748	-	5,748	11,496
Staff royalties	700	-	-	700
Taxes	1,818	-	-	1,818
Telephone	6,189	-	-	6,189
Travel expenses	71,898	-	-	71,898
Utilities	-	-	23,004	23,004
Total expenses before depreciation and in-kind expenses	642,246	86,500	184,184	912,930
Depreciation and amortization	-	-	39,005	39,005
Total expenses	\$ 642,246	\$ 86,500	\$ 223,189	\$ 951,935

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, 2011

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. 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.

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT 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. 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 double-declining balance method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred. Depreciation expense for 2011 was \$39,005.

F. 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.

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

H. 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, 2011.

I. 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.

J. 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.

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 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.

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 – SUMMARY OF SIGIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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.

N. Concentration of Risk

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

O. Promotion

The Fellowship expenses promotion costs as incurred. Promotion costs for the year ended December 31, 2011 were \$4,235.

P. 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.

Q. Date of Management's Review

Subsequent events have been evaluated through June 22, 2012, which is the date the financial statements were available to be issued.

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UNITED METHODIST SERVICES FELLOWSHIP, INC.
d/b/a ALDERSGATE RENEWAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 – PROPERTY, PLANT, AND EQUIPMENT

Property and equipment consists of the following as of:

	December 31, 2011
Land	286,451
Building	1,345,644
Equipment	228,315
Total property and equipment	1,860,410
Less accumulated depreciation	(638,977)
Property and equipment, net	1,221,433

Depreciation charged to operations amounted to \$39,005 for the period ending December 31, 2011 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, 2011 using quoted market prices. The investments are as follows:

	Fair Market Value
Cash	\$ 254
Money Market	14,975
Equity Securities	127,384
Corporate and Government Bonds	317,363
	<u>\$ 459,976</u>

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UNITED METHODIST SERVICES FELLOWSHIP, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011. The accruals are as follows:

Property Taxes	\$ 1,818
Deferred registration Fees	<u>41,652</u>
Total	\$ <u>43,470</u>

NOTE 5 – LINES OF CREDIT

At December 31, 2011, the Fellowship had two credit cards with balances totaling \$2,399. The variable rates were 12% and 14% as of December 31, 2011.

At December 31, 2011, 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, 2011, \$88,514 of the line of credit had been drawn down and was outstanding with an interest rate of 6.00%.

NOTE 6 – OPERATING LEASES

The Fellowship leases certain equipment under operating leases expiring at various times through March 2012. 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 – A forty-eight month lease of a C280 printer with a monthly payment of \$401. The lease will expire in December 2014.

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
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NOTES TO FINANCIAL STATEMENTS
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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 \$18,100 to the plan in 2011.

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.

See auditors' report