

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

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FINANCIAL STATEMENTS

DECEMBER 31, 2006

## TABLE OF CONTENTS

Independent Auditors' Report .....	1
Audited Financial Statements:	
Statement of Financial Position .....	2
Statement of Activities .....	3
Statement of Functional Expenses .....	4-5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7-11



*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, 2006, 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, 2006, 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.*  
Certified Public Accountants

June 19, 2007

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2006

ASSETS

Current assets	
Cash	\$ 96,223
Inventory	41,489
Total current assets	<u>137,712</u>
Property and equipment	
Automobile	8,575
Land	306,451
Building	1,410,137
Equipment	217,647
	<u>1,942,810</u>
Less: accumulated depreciation	(445,916)
Net property and equipment	<u>1,496,894</u>
Other assets	
Investments – non cash gifts	608
Endowment Fund	611,946
Closing costs on construction loan	5,443
Less: accumulated amortization	(4,276)
Total other assets	<u>613,721</u>
	<u>\$2,248,327</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 14,816
Accrued pension contributions	11,538
Lines of credit	<u>62,832</u>
Total current liabilities	<u>89,186</u>

Net assets	
Unrestricted	1,467,234
Temporarily restricted	79,961
Permanently restricted	<u>611,946</u>
Total net assets	<u>2,159,141</u>
	<u>\$2,248,327</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, 2006

	<u>Unrestricted</u>	<u>Temporary</u>	<u>Permanent</u>	<u>Total</u>
Public support and revenues				
Public support				
Contributions	\$ 331,389	\$ 306,546	\$ 0	\$ 637,935
Total public support	<u>331,389</u>	<u>306,546</u>	<u>0</u>	<u>637,935</u>
Revenues				
Sales of merchandise	44,045			44,045
Conference income		17,733		17,733
Registration		146,388		146,388
Interest and dividends	3,445		17,467	20,912
In-kind gifts	428			428
Unrealized gain			176,745	176,745
Realized (loss)			(140,469)	(140,469)
Building rental		30,970		30,970
Other income	120		219	339
Gain (loss) on asset sales	(4,275)			(4,275)
Net assets released from restrictions	<u>607,436</u>	<u>(571,537)</u>	<u>(35,899)</u>	<u>0</u>
Total revenues	<u>651,199</u>	<u>(376,446)</u>	<u>(18,063)</u>	<u>292,816</u>
Total public support and revenues	<u>982,588</u>	<u>(69,900)</u>	<u>18,063</u>	<u>930,751</u>
Expenses				
Program services				
Ministry services	699,415	0	0	699,415
Total program services	<u>699,415</u>	<u>0</u>	<u>0</u>	<u>699,415</u>
Supporting services				
Management and general	256,411	0	0	256,411
Fundraising services	101,771	0	0	101,771
Total supporting services	<u>358,182</u>	<u>0</u>	<u>0</u>	<u>358,182</u>
Total expenses	<u>1,057,597</u>	<u>0</u>	<u>0</u>	<u>1,057,597</u>
Increase (decrease) in net assets	(75,009)	(69,900)	18,063	(126,846)
Net assets at beginning of year	<u>1,542,243</u>	<u>149,861</u>	<u>593,883</u>	<u>2,285,987</u>
Net assets at end of year	<u>\$1,467,234</u>	<u>\$ 79,961</u>	<u>\$ 611,946</u>	<u>\$2,159,141</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, 2006

	Program Services	Supporting Services		Total
	<u>Ministry</u>	<u>Fund- raising</u>	<u>Management and General</u>	
Salaries	\$ 209,741	\$ 65,031	\$ 72,333	\$ 347,105
Employee benefits	59,322	17,982	21,336	98,640
Payroll taxes	11,833	3,423	3,760	19,016
Total personnel cost	280,896	86,436	97,429	464,761
Auto expense			1,553	1,553
Bank charges			5,706	5,706
Building repairs and maintenance			11,166	11,166
Computer software			5,680	5,680
Contract services	42,276			42,276
Continuing education			849	849
Dues and subscriptions			1,668	1,668
Equipment lease			8,060	8,060
Equipment repairs			682	682
Facility	50,612			50,612
Gifts and flowers	475			475
Grant seeking		914		914
Insurance			2,437	2,437
Interest expense			6,404	6,404
Meals and entertainment	40,073			40,073
Miscellaneous expense			1,557	1,557
Payroll service			2,244	2,244
Postage and shipping	20,974	6,776	4,517	32,267
Printing and publications	23,663	7,645	5,096	36,404
Program	93,778			93,778
Professional fees	3,500		4,903	8,403
Promotion			5,179	5,179
Property insurance	9,848		9,849	19,697
Purchases	30,694			30,694

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, 2006

	Program Services	Supporting Services		
	<u>Ministry</u>	<u>Fund- raising</u>	<u>Management and General</u>	<u>Total</u>
Royalties	\$	\$	\$ 299	\$ 299
Scholarships given	10,651			10,651
Supplies	7,170		7,170	14,340
Taxes	2,625			2,625
Telephone	8,296			8,296
Travel expenses	73,884			73,884
Utilities			18,962	18,962
Total expenses before depreciation and in-kind expenses	<u>699,415</u>	<u>101,771</u>	<u>201,410</u>	<u>1,002,596</u>
Depreciation and Amortization			55,001	55,001
Total expenses	<u>\$699,415</u>	<u>\$101,771</u>	<u>\$ 256,411</u>	<u>\$1,057,597</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, 2006

Cash flows from operating activities	
Decrease in net assets	\$ (126,846)
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Depreciation and amortization	55,001
Sale of assets	4,275
Decrease in inventory	14,096
Decrease in promises to pay	50,000
Increase in accounts payable	11,873
Increase in accrued pension	11,538
Total adjustments	<u>146,783</u>
Net cash provided by operating activities	19,937
Cash flows from investing activities:	
Proceeds from the sale of assets	3,700
Purchase of equipment and other assets	(30,950)
Increase in investments restricted in Endowment Fund	<u>(18,063)</u>
Net cash used in investing activities	<u>(45,313)</u>
Cash flows from financial activities:	
Net borrowings under lines of credit	<u>9,482</u>
Net cash provided in financing activities	<u>9,482</u>
Net decrease in cash	(15,894)
Cash at beginning of year	<u>112,117</u>
Cash at end of year	<u>\$ 96,223</u>

Supplemental Cash Flows Information

Total interest paid in 2006 was \$6,404.

See accompanying notes and accountants' report.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

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.

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.



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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2006.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. 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.



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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2006, the Fellowship had a \$75,000 line of credit with Regions Bank to be drawn upon as needed through December 31, 2007, with interest rate of 8.25%. As of December 31, 2006, \$50,000 of the line of credit had been drawn down and was outstanding.

At December 31, 2006, the Fellowship had two credit cards with balances totaling \$12,832. The variable rates were 16% and 18% as of December 31, 2006.

NOTE 3 – 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 two Konica copiers for a minimum monthly payment of \$427. The lease will automatically renew in September 2007.



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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 3 – OPERATING LEASES ( CONTINUED)

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, 2006.

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

Rental expense for all operating leases for the year ended December 31, 2006 was \$6,256. There were additional copy expenses of \$1,804 making the total rental expense of \$8,060.

NOTE 4 – 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 as salary reductions. The Fellowship contributed \$22,502 and accrued \$11,538 to the plan in 2006.

NOTE 5 – 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 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.