

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

FINANCIAL STATEMENTS

DECEMBER 31, 2007

TABLE OF CONTENTS

Independent Auditors' Report	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses.	4
Statement of Cash Flows	5
Notes to Financial Statements	6 -10

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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, 2007, 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 as of December 31, 2007, 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.

Parker, Parker & Associates

June 24, 2008

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007

ASSETS

Current assets	\$ 140,427
Cash	41,034
Inventory	<u>181,461</u>
Total current assets	
Property and equipment	6,885
Automobile	306,451
Land	1,416,975
Building	<u>223,468</u>
Equipment	1,953,779
	<u>(491,901)</u>
Less: accumulated depreciation	1,461,878
Net property and equipment	
Other assets	608
Investments – non-cash gifts	617,384
Endowment Fund	5,443
Closing costs on loan	<u>(5,054)</u>
Less: accumulated amortization	618,381
Total other assets	
	<u>\$2,261,720</u>

LIABILITIES AND NET ASSETS

Current liabilities	\$ 15,706
Accounts payable	169
Accrued pension contributions	241
Accrued interest	<u>29,535</u>
Credit cards payable	45,651
Total current liabilities	
Long-term liabilities	74,756
Line of credit	<u>74,756</u>
Total long-term liabilities	
Net assets	1,420,532
Unrestricted	103,397
Temporarily restricted	<u>617,384</u>
Permanently restricted	2,141,313
Total net assets	
	<u>\$2,261,720</u>

See independent auditors' report and notes to financial statements.

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>	<u>Temporary</u>	<u>Permanent</u>	<u>Total</u>
Public support and revenues				
Public support				
Contributions	<u>\$ 357,866</u>	<u>\$ 347,891</u>	<u>\$ 0</u>	<u>\$ 705,757</u>
Total public support	<u>357,866</u>	<u>347,891</u>	<u>0</u>	<u>705,757</u>
Revenues				
Sales of merchandise	42,536			42,536
Conference income		29,058		29,058
Registration		117,670		117,670
Interest and dividends	4,217		17,921	22,138
Non cash gifts	34,581	29,336		63,917
Unrealized gain			304,486	304,486
Realized (loss)			(269,433)	(269,433)
Building rental		38,610		38,610
Gain (loss) on asset sales	900			900
Net assets released from restrictions	<u>586,665</u>	<u>(539,129)</u>	<u>(47,536)</u>	<u>0</u>
Total revenues	<u>668,899</u>	<u>(324,455)</u>	<u>5,438</u>	<u>349,882</u>
Total public support and revenues	<u>1,026,765</u>	<u>23,436</u>	<u>5,438</u>	<u>1,055,639</u>
Expenses				
Program services				
Ministry services	<u>695,668</u>	<u>0</u>	<u>0</u>	<u>695,668</u>
Total program services	<u>695,668</u>	<u>0</u>	<u>0</u>	<u>695,668</u>
Supporting services				
Management and general	281,827	0	0	281,827
Fundraising services	<u>95,972</u>	<u>0</u>	<u>0</u>	<u>95,972</u>
Total supporting services	<u>377,799</u>	<u>0</u>	<u>0</u>	<u>377,799</u>
Total expenses	<u>1,073,467</u>	<u>0</u>	<u>0</u>	<u>1,073,467</u>
Increase (decrease) in net assets	(46,702)	23,436	5,438	(17,828)
Net assets at beginning of year	<u>1,467,234</u>	<u>79,961</u>	<u>611,946</u>	<u>2,159,141</u>
Net assets at end of year	<u>\$1,420,532</u>	<u>\$ 103,397</u>	<u>\$ 617,384</u>	<u>\$2,141,313</u>

See independent auditors' report and notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Services	Supporting Services		
	<u>Ministry</u>	<u>Fund- raising</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 235,898	\$ 60,036	\$ 78,377	\$ 374,311
Employee benefits	72,925	18,559	24,230	115,714
Payroll taxes	<u>13,222</u>	<u>3,134</u>	<u>4,429</u>	<u>20,785</u>
Total personnel cost	322,045	81,729	107,036	510,810
Auto expense			2,812	2,812
Bank charges			5,519	5,519
Building repairs and maintenance			16,645	16,645
Computer software			5,724	5,724
Contract services	40,993			40,993
Continuing education			2,245	2,245
Dues and subscriptions			2,367	2,367
Equipment lease			7,223	7,223
Equipment repairs			45	45
Facility	49,622			49,622
Gifts and flowers	3,527			3,527
Grant seeking		826		826
Insurance			3,206	3,206
Interest expense			9,507	9,507
Investment Fees	6,485		6,485	12,970
Meals and entertainment	36,057			36,057
Payroll service			2,267	2,267
Postage and shipping	15,317	4,949	3,299	23,565
Printing and publications	12,901	4,168	2,778	19,847
Program	56,002			56,002
Professional fees	3,875	4,000	3,965	11,840
Promotion	6,277		6,277	12,554
Property insurance	9,566		9,566	19,132
Purchases	18,992			18,992
Royalties	509			509
Scholarships given	13,556			13,556
Supplies	6,874		6,873	13,747
Taxes	2,652	300	20	2,972
Telephone	7,133			7,133
Travel expenses	83,285			83,285
Utilities			22,630	22,630
Total expenses before depreciation and in-kind expenses	<u>695,668</u>	<u>95,972</u>	<u>226,489</u>	<u>1,018,129</u>
Depreciation and amortization	<u>0</u>	<u>0</u>	<u>55,338</u>	<u>55,338</u>
Total expenses	<u>\$ 695,668</u>	<u>\$ 95,972</u>	<u>\$ 281,827</u>	<u>\$1,073,467</u>

See independent auditors' report and notes to financial statements.

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2007

Cash flows from operating activities	
Decrease in net assets	<u>\$ (17,828)</u>
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Depreciation and amortization	55,338
Sale of assets	(900)
Decrease in inventory	455
Increase in accrued interest	241
Increase in accounts payable	890
Increase in credit cards payable	16,703
Decrease in accrued pension	<u>(11,369)</u>
Total adjustments	<u>61,358</u>
Net cash provided by operating activities	<u>43,530</u>
Cash flows from investing activities:	
Proceeds from the sale of assets	900
Purchase of equipment and other assets	(19,545)
Increase in investments restricted in Endowment Fund	<u>(5,438)</u>
Net cash used in investing activities	<u>(24,083)</u>
Cash flows from financial activities:	
Net borrowings under lines of credit	<u>24,756</u>
Net cash provided in financing activities	<u>24,756</u>
Net increase in cash	44,204
Cash at beginning of year	<u>96,223</u>
Cash at end of year	<u>\$ 140,427</u>

Supplemental Cash Flows Information

Total interest paid in 2007 was \$9,266.

See independent auditors' report and notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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, 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 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.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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, 2007.

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 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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.

L. 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.

M. Inventory

Inventory is booked at fair market value at the time of donation and purchase. Inventory is stated at the average cost basis determined on the first-in, first-out basis.

N. Investments

Investments are stated at the readily determinable fair market value in accordance with Statement of Financial Accounting Standard ("SFAS") 124 *Accounting for Certain Investments Held by Not-for-Profit Organizations*. 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.

O. Concentration of Risk

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

P. Advertising

The Fellowship expenses advertising costs as incurred. Advertising costs for the year ended December 31, 2007 were \$12,554.

Q. 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 renumeration for unused time. Sick time is carried over each year with a maximum available of forty-eight days. According to SFAS No. 43, non-vesting sick time is not required to be accrued.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 2 – INVESTMENTS

The organization holds investments with Morgan Stanley. These investments are carried at the fair market value determined on December 31, 2007 using quoted market prices. The investments are as follows:

	<u>Fair Market Value</u>
Money Market	\$ 12,612
Equity Securities	342,852
Corporate and Government Bonds	<u>261,921</u>
	<u>\$ 617,385</u>

NOTE 3 – IN-KIND SUPPORT

Donated property, equipment and services are used in the operations of the organization. The value of donated property, equipment and services included in the financial statements and the corresponding expenditure or asset capitalization for the year ended December 31, 2007 is as follows:

Donated Assets	<u>\$9,527</u>
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NOTE 4 – LINES OF CREDIT

At December 31, 2007, the Fellowship had two credit cards with balances totaling \$29,535. The variable rates were 16% and 17% as of December 31, 2007.

At December 31, 2007, the Fellowship had a \$100,000 line of credit with Regions Bank to be drawn upon as needed through December 9, 2010, with interest rate equal to the Prime Rate. The line of credit is secured by the cottage located at 302 Drake Street, Goodlettsville, Tennessee. As of December 31, 2007, \$74,756 of the line of credit had been drawn down and was outstanding and the interest rate was 7.5%.

NOTE 5 – 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 \$445. The lease will automatically renew in September 2008.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 5 – 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, 2007.

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

Rental expense for all operating leases for the year ended December 31, 2007 was \$6,464. There were additional copy expenses of \$759 making the total rental expense of \$7,223.

NOTE 6 – 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 \$28,448 and accrued \$169 to the plan in 2007.

NOTE 7 – 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.

NOTE 8 – SUBSEQUENT EVENT

On November 1, 2007, the Executive Committee discussed the possible sale of land on Main Street in Goodlettsville. As of June 2008 the contract has not been completed but is still in negotiation.

NOTE 9 – RELATED PARTY

The Fellowship has a few related party transactions. The son-in-law to the Executive Director bids and receives commitments to purchase novelty items for the bookstore. The wife of the Executive Director is the Minister of Hospitality and receives contract pay of \$4,200 to plan and arrange all dinners and was board approved. An employee purchased the older vehicle from the Fellowship for \$900.