

**UNITED METHODIST RENEWAL
SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015, 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 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, 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McMurray & Associates, CPAs

McMurray & Associates

Hendersonville, Tennessee
June 15, 2016

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Current assets

Cash	\$	41,864
Inventory		36,941
Total current assets		<u>78,805</u>

Fixed assets

Property and equipment		1,898,510
Less: accumulated depreciation		<u>(798,933)</u>
Net property and equipment		1,099,577

Other assets

Endowment fund		<u>413,101</u>
Total other assets		413,101

Total assets	\$	<u><u>1,591,483</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$	1,399
Accrued liabilities		11,584
Line of credit		<u>80,000</u>
Total current liabilities		92,983

Net assets

Unrestricted		1,071,577
Temporarily restricted		13,822
Permanently restricted		<u>413,101</u>
Total net assets		<u>1,498,500</u>

Total liabilities and net assets	\$	<u><u>1,591,483</u></u>
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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, 2015

	Unrestricted	Temporary restricted	Permanently restricted	Total
Support and revenue:				
Contributions	\$ 321,721	\$ 186,142	\$ -	\$ 507,863
Merchandise sales	57,636	-	-	57,636
Conference income	-	11,719	-	11,719
Registration	-	144,764	-	144,764
Realized gain/loss	-	-	(8,846)	(8,846)
Building rental	-	38,991	-	38,991
Net assets released from restriction	<u>434,747</u>	<u>(398,056)</u>	<u>(36,691)</u>	<u>-</u>
Total support and revenue	814,104	(16,440)	(45,537)	752,127
Expenses				
Program services	<u>633,441</u>	<u>-</u>	<u>-</u>	<u>633,441</u>
Total program services	633,441	-	-	633,441
Supporting services				-
Management and general	189,052	-	-	189,052
Fundraising activities	<u>50,820</u>	<u>-</u>	<u>-</u>	<u>50,820</u>
Total supporting services	<u>239,872</u>	<u>-</u>	<u>-</u>	<u>239,872</u>
Total expenses	<u>873,313</u>	<u>-</u>	<u>-</u>	<u>873,313</u>
Increase (decrease) in net assets	(59,209)	(16,440)	(45,537)	(121,186)
Net assets at beginning of year	<u>1,130,786</u>	<u>30,262</u>	<u>458,638</u>	<u>1,619,686</u>
Net assets at end of year	<u>\$ 1,071,577</u>	<u>\$ 13,822</u>	<u>\$ 413,101</u>	<u>1,498,500</u>

See independent auditor's report and notes to the financial statements

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Fundraising	Total
Advertising & promotion	\$ 7,165	\$ 3,351	\$ 1,040	\$ 11,556
Bank & merchant fees	-	9,290	1,032	10,322
Computer & internet expenses	9,846	4,605	1,429	15,880
Contract services	27,014	-	-	27,014
Cost of goods sold	23,540	-	-	23,540
Employee benefits	96,496	45,135	14,008	155,639
Equipment lease	-	7,232	-	7,232
Interest expense	-	3,863	-	3,863
Office expenses	12,444	5,821	1,806	20,071
Payroll taxes	11,632	5,441	1,689	18,762
Postage & shipping	9,224	4,315	1,339	14,878
Printing & publication	7,033	3,289	1,022	11,343
Professional services	4,247	1,987	617	6,850
Program expenses	179,180	-	-	179,180
Property insurance	9,990	4,081	-	14,071
Repairs & maintenance	11,804	-	-	11,804
Taxes & licenses	1,516	-	-	1,516
Telephone	2,160	1,010	314	3,484
Travel	35,101	16,421	5,095	56,618
Utilities	15,884	7,430	2,306	25,619
Wages	131,749	61,625	19,125	212,499
Total expenses before depreciation	596,026	184,895	50,820	831,741
Depreciation	37,415	4,157	-	41,572
Total expenses	\$ 633,441	\$ 189,052	\$ 50,820	\$ 873,313

See independent auditor's report and notes to the financial statements

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities	
Decrease in net assets	\$ (121,186)
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Depreciation	41,572
Increase in inventory	8,045
Increase in accounts payable	(10,190)
Decrease in accrued liabilities	3,609
Total adjustments	<u>43,036</u>
Net cash used in operating activities	(78,150)
Cash flows from investing activities:	
Purchase of fixed assets	(8,055)
Loss on endowment fund, including custodial fees \$5,251	8,846
Redemption on endowment fund	<u>36,691</u>
Net cash provided by investing activities	37,482
Cash flow from financing activities:	
Proceeds from line of credit	50,000
Payments toward line of credit	<u>(35,080)</u>
Net cash provided by financing activities	<u>14,920</u>
Net decrease in cash	(25,748)
Cash at beginning of year	<u>67,612</u>
Cash at end of year	<u>\$ 41,864</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, 2015

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.

See independent auditor's report

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
dba ALDERSGATE RENEWAL MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 two to four weeks of paid vacation based upon their years of service.

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 \$11,556 for the year ended December 31, 2015.

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.

The Fellowship's Forms 990, Return of Organization Exempt from Income Tax, for the years 2013, 2014 and 2015 are subject to examination by the IRS, generally for the three years after they are filed.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of:

	December 31, 2015
Land	\$ 279,718
Building	1,385,952
Improvements & equipment	232,840
Total property and equipment	1,898,510
Accumulated depreciation	(798,933)
Property and equipment, net	\$1,099,577

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2 – PROPERTY AND EQUIPMENT (continued)

Depreciation expense for the year ended December 31, 2015 was \$41,572 and was computed using the straight-line method.

NOTE 3 – ACCRUED LIABILITIES

Accrued liabilities consist of the following as of:

	December 31, 2015
Property taxes	\$ 1,854
Payroll & vacation accrual	1,752
Deferred registration fees	<u>7,978</u>
Total accrued liabilities	\$ 11,584

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.

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

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).

	Total Carrying Value	Value Using Level 1	Value Using Level 2	Value Using Level 3
December 31, 2015				
Cash & money market	\$6,320	\$6,320	-	-
Equity securities	153,185	153,185	-	-
ETFs & CEFs	24,022	-	24,022	-
Mutual funds	229,574	-	229,574	-
Total assets at fair value	\$413,101	\$159,505	\$253,596	-

NOTE 5 – LINE OF CREDIT

At December 31, 2015, 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, 2015, \$80,000 of the line of credit had been drawn down and was outstanding with an interest rate of 6.00%. 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 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 \$19,521 to the plan in 2015.

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UNITED METHODIST RENEWAL SERVICES FELLOWSHIP, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 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 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, 2015 through June 15, 2016, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.