

RENEWAL MINISTRIES, INC.

Financial Statements
For the Year Ended
December 31, 2020



**MYLER & SZCZYPKA, P.C.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Renewal Ministries, Inc.
Ann Arbor, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Renewal Ministries, Inc. (the Organization), which comprise of the statement of financial position as of December 31, 2020 and the related statement of activities, statement of cash flows and statement of 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 and fair presentation of the financial statements in accordance with the 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 depend on the auditor's judgment, including the assessment of risks of material misstatements 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 our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Organization at December 31, 2020 and the results of its operations and cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization implemented FASB Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers and all subsequent amendments. This standard creates a single framework for recognizing and disclosing information about revenue from contracts with customers. Our opinion is not modified with respect to this matter.

Ann Arbor, Michigan
September 30, 2021

RENEWAL MINISTRIES, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2020

Assets	Note	
<u>Current Assets</u>		
Cash and Cash Equivalents		\$ 1,233,069
Investments	2	1,427,790
Due from Related Party	5	5,348
Inventory	1	57,845
Other Current Assets		10,047
Total Current Assets		<u>2,734,099</u>
<u>Fixed Assets</u>		
Furniture and Equipment	3	43,188
Accumulated Depreciation	3	(18,613)
Total Fixed Assets		<u>24,575</u>
Total Assets		<u>\$ 2,758,674</u>
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts Payable		\$ 49,815
Accrued Liabilities		101,276
PPP Loan	12	194,350
Total Current Liabilities		<u>345,441</u>
<u>Net Assets</u>		
Undesignated		<u>1,064,903</u>
Designated		
Ellen Holian Legacy Fund		839,055
Operating Reserve		200,000
Equipment Replacement		8,727
Fixed Assets		43,667
Total Designated Net Assets		<u>1,091,449</u>
Total Net Assets Without Donor Restrictions		2,156,352
Net Assets With Donor Restrictions	1	<u>256,881</u>
Total Net Assets		<u>2,413,233</u>
Total Liabilities and Net Assets		<u>\$ 2,758,674</u>

See Accompanying Notes to Financial Statements

RENEWAL MINISTRIES, INC.**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Note	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue				
General Contributions		\$ 1,517,663	\$ -	1,517,663
Conference Contributions		17,987	-	17,987
Book and Tape Sales		149,051	-	149,051
Investment Return	2	6,004	-	6,004
Mission Contributions		116,940	29,169	146,109
Student Contributions		-	9,845	9,845
BLR Contributions		-	147,470	147,470
Zion Contributions		-	55,258	55,258
Radio Contributions		4,355	-	4,355
CRM Administration Fees	5	60,000	-	60,000
Newsletter Contributions		141,122	-	141,122
Net Assets Released from Restrictions		207,824	(207,824)	-
Total Support and Revenue		2,220,946	33,918	2,254,864
Expenses				
Program Services		1,644,548	-	1,644,548
Management and General		207,482	-	207,482
Fundraising		223,656	-	223,656
Total Expenses		2,075,686	-	2,075,686
Increase in Net Assets		145,260	33,918	179,178
Net Assets				
Beginning of Year		2,011,092	222,963	2,234,055
End of Year		\$ 2,156,352	\$ 256,881	\$ 2,413,233

See Accompanying Notes to Financial Statements

RENEWAL MINISTRIES, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

Operating Activities	2020
Change in Net Assets	\$ 179,178
Adjustment to Reconcile Change to Net Assets to Net Cash (Used) Provided by Operating Activities:	
Depreciation	6,379
Net Gain on Investments	(6,004)
Decrease (Increase) In:	
Due from Related Party	65,670
Inventory	(18,270)
Other Current Assets	33,714
(Decrease) Increase In:	
Accounts Payable	29,732
Accrued Liabilities	<u>55,102</u>
Total Adjustments	<u>166,323</u>
Net Cash Provided by Operating Activities	<u>345,501</u>
Investing Activities	
Purchase of Equipment	(4,570)
Purchase of Certificate of Deposit	(10,064)
Proceeds from Sale of Investments	47,154
Donated Investment Received	<u>(47,090)</u>
Net Cash Used In Investing Activities	<u>(14,570)</u>
Financing Activities	
PPP Loan Proceeds	<u>194,350</u>
Net Cash Provided By Financing Activities	<u>194,350</u>
Cash and Equivalents	
Beginning of Year	707,788
End of Year	<u>\$ 1,233,069</u>
Supplemental Disclosure	
Federal Income Tax Paid	\$ -
Interest Paid	\$ -

See Accompanying Notes to Financial Statements

RENEWAL MINISTRIES, INC.

STATEMENT OF NATURAL AND FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Fundraising	Total 2020
Cost of Goods Sold	\$ 78,266	\$ 12,067	\$ 12,067	\$ 102,400
Zion Expenses	39,109	-	-	39,109
BLR Expenses	11,843	928	291	13,062
Marketing	47,837	5,373	5,970	59,180
Credit Card Fees	-	27,270	-	27,270
Bank Charges	-	7,242	-	7,242
Computer Expenses	38,211	5,459	10,918	54,588
Donor Postage	-	-	7,619	7,619
Spring Telemarketing	-	-	13,460	13,460
Telemarketing Follow-up	-	-	19,531	19,531
Office Move Expense	69,325	8,666	8,666	86,657
Rent	95,604	11,950	11,950	119,504
BLR Stipends	16,705	-	-	16,705
Health Insurance	89,620	11,203	11,203	112,026
Retirement	26,013	3,252	3,252	32,517
Payroll Expenses	680,513	83,818	83,818	848,149
Payroll Tax	50,823	6,353	6,353	63,529
TV Production	67,571	-	-	67,571
ID 916 Program	89,019	-	594	89,613
Depreciation	5,323	528	528	6,379
Mailing	9,766	1,221	1,221	12,208
Maintenance	6,533	816	816	8,165
Mission Travel	120,355	-	-	120,355
Postage	27,259	3,408	3,408	34,075
Printing	28,195	3,524	3,524	35,243
Supplies	6,599	825	825	8,249
Telephone	8,417	1,052	1,052	10,521
Travel	5,336	667	667	6,670
Other Expenses	26,306	11,860	15,923	54,089
	<u>\$ 1,644,548</u>	<u>\$ 207,482</u>	<u>\$ 223,656</u>	<u>\$ 2,075,686</u>

See Accompanying Notes to Financial Statements

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS **FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Renewal Ministries, Inc. (the Organization) was formed as a Michigan nonprofit corporation on April 28, 1992. It is chartered to support and carry out evangelistic and missionary activities to promote the renewal of the Catholic Church and Christian people at large. It also works for Christian unity when possible. It carries out this ministry through television and radio programs, books, pamphlets, tapes, videos, conferences, personal contact and missionary endeavors of various kinds.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred, related to Topic 606 and ASC 958-605.

Adoption of New Accounting Principle – The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to the new Topic 606 and Subtopic 340-40 as the “new guidance.”

The Organization adopted the requirements of the new guidance as of January 1, 2020, utilizing the modified retrospective method of transition. There was no impact adopting the new guidance; a cumulative adjustment to net assets as of January 1, 2020 was not required to reflect the effect of the new guidance. The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2020. Adoption of the new guidance did not result in changes to the Organization’s accounting policies for revenue recognition or accounts receivables.

Basis of Presentation – The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) of Not-for-Profit Organizations Accounting Standards Update (ASU) No. 2016-14. Under FASB ASU 2016-14, the Organization is required to report information regarding its financial position and statement of activities, and cash flow statement according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Income Taxes – The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization has adopted the provisions of FASB ASC 740-10. The adoption of FASB ASC 740-10 has not resulted in any changes in tax provisions. There are no known federal or state tax contingencies.

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – The Organization considers all short-term investments that are readily convertible into cash within three months or less to be cash equivalents.

Investments – Investments are comprised of common stocks and federal reserve money market and are carried at fair value.

Inventory – Inventory is held for resale consisting of books, tapes, and videos and valued at cost.

Contributions – Contributions received are recorded as net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions, as required by FASB ASU 2016-14, Financial Accounting Standards Board for Financial Statements of Not-for-Profit Organizations.

Endowment contributions are permanently restricted by the donors. Income from endowment investments is without donor restrictions and available for operating expenses of the Organization. There are no endowment funds at this time.

Contributions of donated services and facilities that would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. There were no donated services or facilities in the current year.

Contributions with donor restrictions consisted of Mission contributions, Student contributions, Our Sunday Visitor contributions, BLR contributions, and Zion contributions.

Fixed Assets – Furniture and equipment are capitalized at cost. It is the Organization's policy to capitalize all capital expenditures in excess of \$500. Furniture and equipment are being depreciated over estimated useful lives using the straight-line, monthly convention.

Subsequent Events – Management has evaluated subsequent events and transactions for potential recognition or disclosure through September 30, 2021, the date the financial statement were available to be issued. There was one event related to the Payroll Protection Program loans described in footnote 12.

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

2. INVESTMENTS

Investments as of December 31, 2020, are summarized as follows:

	Value at Donation	Fair Value	Carrying Value
Money Market	\$1,390,182	\$ 1,390,182	\$1,390,182
Certificate of Deposits	30,656	30,656	30,656
Common Stock	6,858	6,952	6,952
Total	\$1,427,696	\$ 1,427,790	\$ 1,427,790

The following schedule summarizes fair value measurements at December 31, 2020 using:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market	\$ 1,390,182	-	-
Certificate of Deposits	30,656	-	-
Common Stock	6,952	-	-
Total	\$ 1,427,790	\$ -	\$ -

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2020:

	Total
Interest and Dividends	\$ 4,094
Foreign Tax and Transfer Fee	(40)
Unrealized Gain	399
Realized Gain	1,551
Total Investment Return	\$ 6,004

3. FIXED ASSETS

The following is a summary of fixed assets as of December 31, 2020:

Computer Equipment	\$ 35,179
Office Equipment	8,009
Total Fixed Assets	43,188
Less accumulated depreciation	(18,613)
Net Fixed Assets	\$ 24,575

Depreciation expense for the year ended December 31, 2020 was \$6,379.

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

4. FUNCTIONAL ALLOCATION OF EXPENSES

The costs to provide the various programs and activities have been summarized on a functional and natural basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated based on knowledge of the program or support service benefited by each expenditure. Personnel costs are allocated based on the duties and responsibilities of each employee and the specific program or support service benefited.

5. RELATED PARTY

Catholic Renewal Ministries is a related party, located in Toronto, Canada and shares one common board member and two common officers with the Organization. The Organization invoices Catholic Renewal Ministries on a monthly basis for reimbursement of expenses incurred and paid on their behalf. These expenses relate to mailings, postage and mission work. Payments received from Catholic Renewal Ministries in 2020 totaled \$80,538. As of December 31, 2020 Catholic Renewal Ministries owed the Organization \$5,348.

The Organization entered into an agreement with their related party, Catholic Renewal Ministries, in 2020. Catholic Renewal Ministries is to pay the Organization \$5,000/month in exchange for administration services. The Organization collected \$60,000 from Catholic Renewal Ministries in 2020.

Ralph Martin, a board member, is an author and writes books that the Organization sells. The Organization also reimburses him for healthcare. Total reimbursements to Ralph Martin for the year ended December 31, 2020 totaled \$65,377.

6. COMMITMENTS

The Organization entered into a lease agreement with Domino's Farms Office Park, L.L.C. beginning November 1, 2019. The lease is for five years and was set to expire on October 31, 2024. In the agreement, rent is \$21 per rentable square footage with an annual increase based upon the Consumer Price Index for the Detroit Metropolitan Area for the previous calendar year. The rentable square footage is approximately 5,621 square feet. Rent expense for 2020 was \$119,504.

7. EMPLOYEE BENEFIT PLAN

The Organization has a defined contribution, 403(b), tax sheltered annuity plan covering all eligible employee participants. Under the plan, the Organization contributes an amount equal to the participant's deferred compensation for the year, and an additional non-elective contribution (ranging from 8% to 10%) based on the participant's compensation and years of service. Plan contributions of \$32,517 paid by the Organization for the current year are included in employee benefits.

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

8. CONCENTRATION OF CREDIT RISK

The Organization has deposits with Comerica Bank in 2020 that exceed the federally insured limits. Accounts at each institution are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020, the amount of uninsured deposits at Comerica Bank totaled \$720,885.

The Organization has investments with Fidelity Investments that exceed the Securities Investor Protection Corporation (SIPC) limits. SIPC provides protection up to \$500,000 per customer for all accounts at the same institution, including a maximum of \$250,000 for cash. At December 31, 2020, investments consist of a federal reserve money market fund that exceeds SIPC protection by \$1,140,041.

9. LIQUIDITY AND AVAILABILITY

Financial assets:	<u>2020</u>
Cash and cash equivalents	\$ 1,233,069
Investments	1,427,791
Inventory	57,845
Other Current Assets	10,047
Total financial assets:	<u>2,734,100</u>
Less financial assets held to meet donor-imposed restrictions:	
Donor-restricted	269,313
Amount available for general expenditures within one year:	<u>\$ 2,464,787</u>

10. CHANGE IN ACCOUNTING PRINCIPLES

The Organization implemented FASB ASU No. 2016-14 in the current year. The new standards change the following aspects of the financial statements:

- The temporary restricted and permanent restricted net asset classes have been combined into a single asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statement notes include a disclosure regarding liquidity and availability (see footnote 9).

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Organization implemented FASB ASU N. 2014-09 in the current year for its revenue with customers. Each revenue transaction contains a single delivery element and revenue is recognized at a single point in time when services, risks and rewards transfer. There are no significant contracts in process at December 31, 2020.

The Organization's contracts with customers and method of revenue recognition include the following:

- Contribution income – the main source of income for the Organization is contribution income from donations and pledges. This income is typically considered an unconditional transfer; therefore, Topic 606 refers to subtopic 958-605 for further guidance. According to subtopic 958-605, the Organization recognizes revenue when promised or received. The Organization does not have any promised income as of the end of the year. The Organization also receives restricted contributions, which are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and recognized.
- Catholic Renewal Ministries (CRM) administration fee income – the Organization obtains a monthly fee from their related entity, CRM, for administration services rendered. Revenue is recognized on a monthly basis to align with services rendered.
- Merchandise sales and other income – the Organization operates a small online store where customers can make purchases. Revenue is recognized when store sales occur.
- Conference income and Renewal Ministry gathering income – the Organization hosts conferences and gatherings throughout the year. The revenue is recognized when the event occurs.
- Investment income – the Organization receives interest and distributions from their cash and investments. The Organization recognizes revenue when issued or earned.

Revenue from contracts with customers consisted of the following:

Revenue Streams	2020
Contributions	\$ 2,021,822
CRM Administration Fees	60,000
Merchandise Sales Income	149,051
Conference Income/RM Gathering	17,987
Investment Income	6,004
Total	<u>\$ 2,254,864</u>

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

As of December 31, 2020, the Organization had no significant receivables related to contracts with customers. During the year ended December 31, 2020, the Organization had no significant bad debt expense on revenue from contracts with customers.

The following economic factors affect the nature, amount, timing, and uncertainty of the Organization's revenue and cash flows as indicated:

- Economic trends: Services to all customers correlate with economic cycles. Sales to customers can vary year over year.
- Geographical location of customers: Sales are to customers located primarily in the area that includes Ann Arbor, Michigan and the surrounding area; therefore, revenue is correlated to the local economy.
- Nonprofit industry: Overall revenue can be dependent on individuals' disposable income.

12. PAYROLL PROTECTION PROGRAM LOAN

In June 2020, the Organization successfully secured a \$194,350 Small Business Association loan under the Payroll Protection Program (PPP) to secure payroll expenses for otherwise furloughed employees impacted by government-imposed shelter in place orders. Per the terms of the loan, the full amount will be forgiven as long as loan proceeds are used to cover payroll costs and other specified non-payroll costs. As of December 31, 2020, the loan had not yet been forgiven, but expected and probable to be forgiven in the next year, therefore it is still considered a current liability without incurring the 1% interest. The loan was subsequently forgiven in May 2021 for the full amount.