

RENEWAL MINISTRIES, INC.

Financial Statements
For the Year Ended
December 31, 2022



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Renewal Ministries, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2022 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibilities 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, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Ann Arbor, Michigan
October 6, 2023

RENEWAL MINISTRIES, INC.STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

Assets	Note	2022
<u>Current Assets</u>		
Cash and Cash Equivalents		\$ 876,409
Investments	2	1,846,157
Accounts Receivable		5,191
Inventory	1	74,781
Other Current Assets		66,463
Employee Retention Credit Receivable	9	450,868
Employee Retention Credit Interest Receivable	9	21,124
Total Current Assets		<u>3,340,993</u>
<u>Fixed Assets</u>		
Furniture and Equipment	3	58,129
ROU Asset	3	234,130
Accumulated Depreciation	3	(35,280)
Total Net Fixed Assets		<u>256,979</u>
Total Assets		<u>\$ 3,597,972</u>
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts Payable		\$ 41,928
Accrued Liabilities		121,388
Current Portion of Lease Liability	10	124,923
Total Current Liabilities		<u>288,239</u>
Long Term Portion of Lease Liability	10	109,207
Total Liabilities		<u>397,446</u>
<u>Net Assets</u>		
Undesignated		<u>1,963,770</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		3,055,219
Net Assets With Donor Restrictions	1	145,307
Total Net Assets		<u>3,200,526</u>
Total Liabilities and Net Assets		<u>\$ 3,597,972</u>

See Accompanying Notes to Financial Statements

RENEWAL MINISTRIES, INC.STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	Without Donor Restrictions	With Donor Restrictions	Total 2022
Support and Revenue				
General Contributions		\$ 1,801,655	\$ -	\$ 1,801,655
Conference Contributions		29,390	-	29,390
Book and Tape Sales		107,979	-	107,979
Investment Return	2	25,404	-	25,404
Mission Contributions		-	33,890	33,890
Student Contributions		-	48,133	48,133
BLR Contributions		-	174,843	174,843
Zion Contributions		-	31,038	31,038
Restricted Staff Support		47,573	216,082	263,655
Radio Contributions		2,582	-	2,582
CRM Administration Fees	5	60,000	-	60,000
Newsletter Contributions		165,608	-	165,608
ERC Revenue	9	450,868	-	450,868
ERC Interest Income	9	21,124	-	21,124
RM Event Income		250	-	250
Net Assets Released from Restrictions		506,318	(506,318)	-
Total Support and Revenue		<u>3,218,751</u>	<u>(2,332)</u>	<u>3,216,419</u>
Expenses				
Program Services		2,289,879	-	2,289,879
Management and General		261,625	-	261,625
Fundraising		276,159	-	276,159
Total Expenses		<u>2,827,663</u>	<u>-</u>	<u>2,827,663</u>
Increase (Decrease) in Net Assets		391,088	(2,332)	388,756
Net Assets				
Beginning of Year		<u>2,664,131</u>	<u>147,639</u>	<u>2,811,770</u>
End of Year		<u>\$ 3,055,219</u>	<u>\$ 145,307</u>	<u>\$ 3,200,526</u>

See Accompanying Notes to Financial Statements

RENEWAL MINISTRIES, INC.STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Operating Activities	<u>2022</u>
Change in Net Assets	\$ 388,756
Adjustment to Reconcile Change to Net Assets to Net Cash (Used) Provided by Operating Activities:	
Depreciation	8,942
Net Gain on Investments	(25,405)
Decrease (Increase) In:	
Accounts Receivable	5,104
Inventory	(28,025)
Prepaid Expenses	(52,713)
ERC Receivable	(450,868)
Interest Receivable	(21,124)
Other Current Assets	(1,101)
(Decrease) Increase In:	
Accounts Payable	32,074
Accrued Liabilities	8,172
Total Adjustments	<u>(524,944)</u>
Net Cash Provided by Operating Activities	<u>(136,188)</u>
Investing Activities	
Purchase of Equipment	(11,183)
Proceeds from Sale of Investments	62,633
Donated Investment Received	<u>(55,370)</u>
Net Cash Used In Investing Activities	<u>(3,920)</u>
Cash and Equivalents	
Beginning of Year	<u>1,016,517</u>
End of Year	<u>\$ 876,409</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, 2022**

	Program Services	Management and General	Fundraising	Total 2022
Cost of Goods Sold	\$ 33,965.00	\$ 4,246	\$ 4,246	\$ 42,457
Zion Expenses	32,150	-	-	32,150
BLR Expenses	25,294	-	-	25,294
Marketing	12,568	-	-	12,568
Accounting Services	-	23,850	-	23,850
Credit Card Fees	-	33,564	-	33,564
Bank Charges	-	9,287	-	9,287
Computer Expenses	56,437	8,063	16,125	80,625
Donor Postage	-	-	5,353	5,353
Spring Telemarketing	-	-	16,943	16,943
Telemarketing Follow-up	-	-	7,533	7,533
Rent	98,001	12,250	12,250	122,501
BLR Stipends	9,114	-	-	9,114
Health Insurance	104,916	13,115	13,115	131,146
Retirement	32,730	4,091	4,091	40,912
Payroll Expenses	874,710	109,339	109,339	1,093,388
Payroll Tax	65,110	8,139	8,139	81,388
TV Production	50,369	-	-	50,369
ID 916 Program	145,235	-	-	145,235
Depreciation	7,154	894	894	8,942
Mailing	12,935	1,617	1,617	16,169
Maintenance	4,666	583	583	5,832
Mission Travel	354,117	-	-	354,117
Postage	33,891	4,236	4,236	42,363
Printing	40,116	5,014	5,014	50,144
Supplies	9,292	1,162	1,161	11,615
Telephone	11,761	1,470	1,470	14,701
Travel	13,046	1,631	1,631	16,308
Pine Hills Camp	153,626	-	-	153,626
Other Expenses	108,676	19,074	62,419	190,169
Total	<u>\$ 2,289,879</u>	<u>\$ 261,625</u>	<u>\$ 276,159</u>	<u>\$ 2,827,663</u>

See Accompanying Notes to Financial Statements

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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.

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.

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.

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 markets and are carried at fair value. All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in the statement of activities as changes in net assets.

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (CONTINUED)

Inventory – Inventory is held for resale consisting of books, tapes, and videos and valued at lower of cost or market. Cost is determined on the first-in, first-out method.

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, Staff Support contributions, Our Sunday Visitor contributions, BLR contributions, Pines Hill Camp, 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 \$1,000. 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 October 6, 2023, the date the financial statement were available to be issued. There were no events identified.

Leases - The Organization has adopted FASB ASC 842, Leases, with a date of initial application of January 1, 2022. For leases with a lease term greater than one year, the Organization recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The Organization determines whether an arrangement is or contains a lease at contract inception. Operating leases with a duration greater than one year are included in operating lease right-of-use assets, current portion operating lease liabilities, and operating lease liabilities, net of current portion in the Organization's balance sheet at December 31, 2022. Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Organization uses a risk-free rate of a period comparable with that of the lease term. The Organization considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the Organization is reasonably certain to exercise the option, (2) terminate the lease if the Organization is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor. The operating lease right-of-use assets also include any lease payments made and exclude lease incentives received or receivable. Lease expense is recognized on a straight-line basis over the expected lease term. Variable lease expenses are recorded when incurred.

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (CONTINUED)

2. INVESTMENTS

Investments as of December 31, 2022, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Money Market	\$ 1,815,427	\$ 1,815,427
Certificate of Deposits	30,730	30,730
Total	<u>\$ 1,846,157</u>	<u>\$ 1,846,157</u>

The following schedule summarizes fair value measurements at December 31, 2022 using:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market	\$ 1,815,427	\$ -	\$ -
Certificate of Deposits	30,730	-	-
Total	<u>\$ 1,846,157</u>	<u>\$ -</u>	<u>\$ -</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2022:

	<u>Total</u>
Interest and Dividends	\$ 23,943
Realized Gain	1,461
Total Investment Return	<u>\$ 25,404</u>

3. FIXED ASSETS

The following is a summary of fixed assets as of December 31, 2022:

Computer Equipment	\$ 42,303
Office Equipment	15,826
Total Furniture and Fixtures	58,129
ROU Asset	234,130
Total Fixed Assets	292,259
Less Accumulated Depreciation	(35,280)
Net Fixed Assets	<u>\$ 256,979</u>

Depreciation expense for the year ended December 31, 2022 was \$8,942.

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (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 2022 totaled \$168,145. As of December 31, 2022 Catholic Renewal Ministries owed the Organization \$5,191.

The Organization is in an agreement with their related party, Catholic Renewal Ministries. Catholic Renewal Ministries is to pay the Organization \$5,000 per month in exchange for administration services. The Organization collected \$60,000 from Catholic Renewal Ministries in 2022.

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, 2022 totaled \$18,838. Other board member reimbursements totaled \$1,730.

6. 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 \$40,912 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, 2022 (CONTINUED)

7. CONCENTRATION OF CREDIT RISK

The Organization has deposits with Comerica Bank in 2022 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, 2022, the amount of uninsured deposits at Comerica Bank totaled \$252,809.

The Organization has investments with Fidelity Investments in a Fidelity Mutual Fund account that are not covered by the Securities Investor Protection Corporation (SIPC), National Financial Services (NFS) or FDIC. At December 31, 2022, uninsured investments consist of a federal reserve money market fund of \$1,814,147.

8. LIQUIDITY AND AVAILABILITY

Financial assets:	2022
Cash and cash equivalents	\$ 876,409
Investments	1,846,157
Accounts Receivable	5,191
Inventory	74,781
Other Current Assets	66,463
Employee Retention Credit Receivable and Interest	471,992
Total financial assets:	<u>3,340,993</u>
Less financial assets held to meet donor-imposed restrictions:	
Donor-restricted - Missions Restricted Donations Payable	34,077
Donor-restricted - OSV Grant	15,297
Donor-restricted - ID916 Student Program	38,825
Donor-restricted - BLR	57,108
Amount available for general expenditures within one year:	<u><u>\$ 3,195,686</u></u>

9. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Organization implemented FASB ASU No. 2014-09 in the previous year. Each revenue transaction contains a single delivery element and revenue is recognized at a single point in time when services, risks and rewards transfer.

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (CONTINUED)

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.
- Employer Retention Credit – The government introduced the Employee Retention Credit (ERC) in March 2020 related to the COVID-19 pandemic. It allows for a refundable employee tax credit to help businesses with the cost of keeping staff employed. The Organization applied for the credit. The Organization received \$450,868 related to the credit, and \$21,124 of interest. These amounts were subsequently collected in 2023, therefore, are receivables for the year ended December 31, 2022.
- 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	2022
Contributions	\$ 2,521,404
CRM Administration Fees	60,000
Merchandise Sales Income	107,979
Conference Income/RM Gathering	29,640
Employer Retention Credit (ERC)	471,992
Investment Income	25,404
Total	<u>\$ 3,216,419</u>

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022 (CONTINUED)

As of December 31, 2022, the Organization had no significant receivables related to contracts with customers. During the year ended December 31, 2022, 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.

10. LEASES

The Organization has entered into the following lease arrangements:

Operating Leases

Operating leases mainly consist of office rent. The lease agreement is with Domino's Farms Office Park, LLC. Termination of the lease is prohibited unless there is a violation under the lease agreement.

Finance Leases

The Organization has not entered any finance leases.

Quantitative Disclosures

The lease cost and other required information for the year ended December 31, 2022 are:

	<u>2022</u>
Lease cost	
Operating lease cost	<u>\$ 122,501</u>

RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022 (CONTINUED)

The Organization entered into a lease agreement with Domino's Farms Office Park, LLC beginning November 1, 2021. The future value of lease payments totals \$352,459 and carries a risk-free rate of 1.550 percent to be paid in 60 payments over the course of 5 years. At December 31, 2022 the balance of the lease totaled \$234,130.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 124,923
2024	109,207
Total	<u>\$ 234,130</u>