

**UNIVERSAL FELLOWSHIP  
OF  
METROPOLITAN COMMUNITY CHURCHES  
FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

*Randy Walker & Co., Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

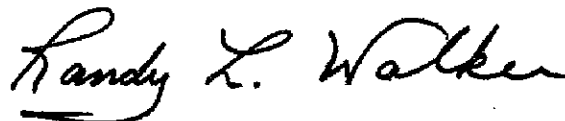
Board of Directors  
Universal Fellowship of Metropolitan Community Churches  
Abilene, Texas

We have audited the accompanying statements of financial position of the Universal Fellowship of Metropolitan Community Churches, (a non-profit organization) as of December 31, 2008 and 2007, and the related statements of activities for the year ended December 31, 2008 (with comparative totals for 2007) and cash flows for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the 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 the 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 Universal Fellowship of Metropolitan Community Churches, as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the periods then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information presented in the "Schedule of Expenses" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



San Antonio, Texas  
March 29, 2010

**UNIVERSAL FELLOWSHIP OF  
METROPOLITAN COMMUNITY CHURCHES**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 131,731	\$ 348,727
Accounts receivable, net	460,370	-
Investment in marketable securities	1,302,406	2,796,729
Prepaid expenses	8,835	-
Inventories	20,342	20,342
Fixed assets, net	<u>360,116</u>	<u>364,699</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,283,800</u></b>	<b>\$ <u>3,530,497</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 177,429	\$ 479,936
Notes payable	320,999	324,865
Accrued vacation payable	148,729	110,332
Deferred income	-	43,493
<b>TOTAL LIABILITIES</b>	<u>647,157</u>	<u>958,626</u>
 <b>NET ASSETS</b>		
Unrestricted	1,490,706	2,461,811
Temporarily restricted	<u>145,937</u>	<u>110,060</u>
<b>TOTAL NET ASSETS</b>	<b><u>1,636,643</u></b>	<b><u>2,571,871</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>2,283,800</u></b>	<b>\$ <u>3,530,497</u></b>

The accompanying notes are an integral part of this financial statement.

**UNIVERSAL FELLOWSHIP OF  
METROPOLITAN COMMUNITY CHURCHES**

**STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2008  
(with comparative totals for 2007)**

<u>SUPPORT AND REVENUE</u>	2008			2007
	Unrestricted	Temporarily Restricted	Total	
Tithe income	\$ 2,595,587	\$ -	\$ 2,595,587	\$ 2,245,051
Conferences and education	174,123	-	174,123	361,114
Development income	108,561	57,607	166,168	216,478
Other	105,303	-	105,303	103,446
Gifts and donations	71,506	14,419	85,925	102,422
Church planting and revitalization	9,865	-	9,865	6,416
Interest income	7,619	-	7,619	365
Gain on sale of property	1,744	-	1,744	4,223,476
Generous in faith	75,890	4,813	80,703	-
Loss on investments	(576,494)	-	(576,494)	(77,329)
Net assets released from restrictions	40,962	(40,962)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	2,614,666	35,877	2,650,543	7,181,439
<u>EXPENSES</u>				
Program expenses	2,432,019	-	2,432,019	2,428,119
General and administrative	1,153,752	-	1,153,752	1,904,913
<b>TOTAL EXPENSES</b>	3,585,771	-	3,585,771	4,333,032
<b>(Decrease)/Increase in Net Assets</b>	(971,105)	35,877	(935,228)	2,848,407
Net Assets, Beginning of Year	2,461,811	110,060	2,571,871	(276,536)
<b>NET ASSETS, END OF YEAR</b>	\$ 1,490,706	\$ 145,937	\$ 1,636,643	\$ 2,571,871

The accompanying notes are an integral part of this financial statement.

**UNIVERSAL FELLOWSHIP OF  
METROPOLITAN COMMUNITY CHURCHES  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
(Decrease)/Increase In Net Assets	\$ (935,228)	\$ 2,848,407
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	26,090	31,456
Loss on investments	576,494	77,329
Gain on sale of joint venture	-	(4,223,476)
Decrease (Increase) in Assets:		
Accounts receivable	(460,370)	69,874
Prepaid expenses	(8,835)	8,854
Inventory	-	3,000
Increase (Decrease) in Liabilities:		
Accounts payable	(302,507)	219,918
Accrued expenses	38,397	(6,304)
Other accrued liabilities	-	(20,444)
Deferred revenue	(43,493)	(22,448)
<b>Net Cash Used by Operating Activities</b>	<b>(1,109,452)</b>	<b>(1,013,834)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of fixed assets	(21,507)	(5,298)
Proceeds from investments	917,829	-
Proceeds from sale of joint venture	-	4,871,818
Purchase of securities	-	(2,874,058)
<b>Net Cash Provided By Investing Activities</b>	<b>896,322</b>	<b>1,992,462</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Repayments on debt	(46,866)	(606,915)
Borrowings on debt	43,000	150,000
Repayments on line of credit	-	(300,000)
<b>Net Cash Used by Financing Activities</b>	<b>(3,866)</b>	<b>(756,915)</b>
<b>NET (DECREASE)/INCREASE IN CASH</b>	<b>(216,996)</b>	<b>221,713</b>
Cash and Cash Equivalents, Beginning of Year	<b>348,727</b>	<b>127,014</b>
<b>CASH, END OF YEAR</b>	<b>\$ 131,731</b>	<b>\$ 348,727</b>

**SUPPLEMENTAL INFORMATION:**

Interest Paid	\$ 29,043	\$ 59,784
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The accompanying notes are an integral part of this financial statement.

**UNIVERSAL FELLOWSHIP OF  
METROPOLITAN COMMUNITY CHURCHES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF ACTIVITIES**

The Universal Fellowship of Metropolitan Community Churches (UFMCC) is a Christian church founded in and reaching beyond the gay and lesbian communities. UFMCC embodies and proclaims Christian salvation and liberation, Christian inclusivity and community, and Christian social action and justice, serving those seeking and celebrating the integration of their spirituality and sexuality.

**BASIS OF ACCOUNTING**

The financial statements of UFMCC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**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 UFMCC 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:**

The unrestricted fund is utilized to record tithes, certain private gifts and grants, fundraising income and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the organization. The fund balance is expected to be utilized for the next year's operations.

**Temporarily Restricted Net Assets:**

The temporarily restricted fund is utilized to record resources received that are temporarily restricted as to the use by the donor or grantor. When the restriction expires, the net assets of this fund are reclassified to unrestricted net assets.

**Permanently Restricted Net Assets:**

The permanently restricted fund is utilized to report resources, if any, restricted by the grantor to provide a permanent source of income or to be permanently held and not sold. As of December 31, 2008 and 2007, UFMCC had no permanently restricted funds.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**UNIVERSAL FELLOWSHIP OF  
METROPOLITAN COMMUNITY CHURCHES  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost as of the date of acquisition or if acquired by gift or bequest they are stated at market value. UFMCC's policy is to capitalize assets that are valued over \$500 and are expected to have a useful life of one or more years. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets.

**TITHES AND CONTRIBUTIONS**

Unrestricted tithes and contributions are recognized as an increase in unrestricted net assets when received. Funds restricted by the donors are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor-imposed restriction. When restrictions are satisfied, either by the passage of time or by the accomplishment of purpose, the temporarily restricted net assets are classified to unrestricted net assets and reported in the activity statement as net assets released from restrictions. When restrictions are satisfied in the same accounting period as the receipt of the contribution, UFMCC reports both the revenue and the related expenses in the unrestricted net asset class. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable. In-kind donations of fixed assets are recorded at their fair value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate.

**CONTRIBUTED SERVICES**

UFMCC receives a substantial amount of services donated by its members in carrying out its ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

**CASH EQUIVALENTS**

For purposes of the Statement of Cash Flows and the Statements of Financial Position, UFMCC considers all investments purchased with a maturity of three months or less to be cash equivalents.

**INCOME TAX STATUS**

UFMCC qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, therefore, has no provision for income taxes except those assessed on unrelated business income.

**ACCOUNTS RECEIVABLE**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**UNIVERSAL FELLOWSHIP OF  
METROPOLITAN COMMUNITY CHURCHES  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 2 – CONCENTRATION OF RISKS**

At various times throughout the year, UFMCC maintains cash balances in banks that exceed the \$250,000 limit covered by the Federal Deposit Insurance Corporation to meet operating needs.

UFMCC receives substantial revenue through tithing and donations from its church and individual members. If the revenue generation from these sources were to be significantly reduced, UFMCC would also have to significantly reduce the services it provides to its members.

**NOTE 3 – FIXED ASSETS**

Fixed assets and the related accumulated depreciation consisted of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Building	\$ 334,889	\$ 334,889
Office equipment	211,654	197,845
Furniture and fixtures	49,654	41,956
	<u>596,197</u>	<u>574,690</u>
Less accumulated depreciation	<u>(236,081)</u>	<u>(209,991)</u>
Fixed Assets, net	<u>\$ 360,116</u>	<u>\$ 364,699</u>

Depreciation expense at December 31, 2008 and 2007 was \$26,090 and \$31,456, respectively.

**NOTE 4 – NOTES PAYABLE**

UFMCC's obligations consists of a note payable to an unrelated party, secured by real property, with interest at 7% per annum, with principal and interest payable in montly installments of \$2,228. As of December 31, 2008 and 2007, the ending balance on this note was \$320,999 and \$324,865, respectively.

In 2007, there were two additional notes to unrelated parties. One loan was unsecured with interest at 8.25% per annum, with interst payable in monthly installments of \$2,750. The note was due on December 31, 2006, but was refinanced on January 11, 2007. The second note was also unsecured with interest at 7.13 percent per annum. The entire balance plus interest was due on December 31 2006, but was renegotiated to extend to December 31, 2007. These notes were paid in full in July 2007.

In addition, in 2007 UFMCC had a line of credit which was secured by all property, with interest at .75% above the index rate payable monthly. The balance was paid in full on April 2007. As of December 31, 2008, no funds have been borrowed against a line of credit.



**UNIVERSAL FELLOWSHIP OF  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 4 – NOTES PAYABLE (continued)**

Future maturities of long term debt are as follows:

2009	\$ 4,146
2010	4,445
2011	<u>312,408</u>
Total debt	<u>\$ 320,999</u>

Interest expense for the years ended December 31, 2008 and 2007 was \$29,043 and \$59,784, respectively.

**NOTE 5 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
People of African Descent	\$ 1,499	\$ 18,291
Samaritan Europe	20,644	20,644
Strategic Growth Initiative	-	14,026
Disaster Relief	16,633	2,215
Latin America	44,741	54,884
Youth Dominican Republic	11,207	-
Asia Pacific Initiative	8,716	-
Jamaica	3,823	-
Global Social Justice	14,400	-
Youth, Teens & Young Adults	19,461	-
Would Jesus Discriminate?	3,788	-
North America Emerging Communities	75	-
You! A Faith That Fits	<u>950</u>	<u>-</u>
Temporarily Restricted Net Assets:	<u>\$ 145,937</u>	<u>\$ 110,060</u>

**NOTE 6 – LEASES**

UFMCC leases copiers and other office equipment under various operating leases. The leases vary in expiration dates thru July 2011. Copier and office equipment lease expenses for the year ended December 31, 2008 and 2007 was \$56,458 and \$79,442, respectively.

**UNIVERSAL FELLOWSHIP OF  
METROPOLITAN COMMUNITY CHURCHES  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 6 – LEASES (continued)**

The following is a schedule of the operating lease obligations subsequent to December 31, 2008:

<u>Year Ending December 31,</u>	
2009	\$ 20,184
2010	\$ 19,161
2011	\$ 9,387

**NOTE 7 – RELATED PARTY TRANSACTION**

In 2008, UFMCC borrowed and repaid \$43,000 from the executive director. The funds were used in the operations of the organization.

**NOTE 8 – SALE OF JOINT VENTURE**

During 2007, UFMCC sold its fifty percent ownership interest in a real estate joint venture with Metropolitan Community Church of Los Angeles, a member Church of UFMCC. The net cash proceeds were \$4,175,698 after the payment of the related mortgage, line of credit and estimated income taxes. Subsequent to that date, UFMCC no longer occupied the related facilities, and there was no further commitment for payments in connection with the real estate associated with the joint venture.

**NOTE 9 – SUBSEQUENT EVENTS**

The UFMCC has evaluated subsequent events through March 29, 2010, which is the date the financials were available to be issued.

## **SUPPLEMENTAL INFORMATION**

**UNIVERSAL FELLOWSHIP OF  
METROPOLITAN COMMUNITY CHURCHES  
SCHEDULE OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2008  
(with comparative totals for 2007)**

	2008			2007
	Program	General & Administrative	Total	Total
Payroll expense	\$ 1,521,059	\$ 651,883	\$ 2,172,942	\$ 2,050,593
Outreach and evangelism	283,057	-	283,057	387,678
Travel	114,805	93,933	208,738	376,252
Conferences and training	127,307	9,583	136,890	390,379
Generous faith	105,204	-	105,204	-
Telephone	-	97,779	97,779	86,290
Miscellaneous expense	48,618	48,618	97,236	31,862
Rental expense	-	91,026	91,026	150,419
Moderator expenses	85,399	-	85,399	7,428
Leadership and licensure	39,698	-	39,698	20,664
Bank card fees	-	35,302	35,302	16,039
Interest expense	-	29,043	29,043	59,784
Printing and postage expense	22,602	5,651	28,253	33,629
Depreciation expense	-	26,090	26,090	31,456
Field based resources/infrastructure	24,648	-	24,648	154
Marketing and communications	23,041	-	23,041	42,232
Insurance	-	22,762	22,762	20,545
Governance and legal	-	18,826	18,826	47,084
Supplies expense	6,264	6,263	12,527	15,576
Benevolence expense	10,442	-	10,442	2,210
Dues and subscriptions	-	7,545	7,545	2,113
Special events	6,984	-	6,984	-
Website development and maintenance	-	6,914	6,914	-
Fund development	6,702	-	6,702	28,302
Contract services	1,757	754	2,511	-
Shipping, freight and delivery	1,844	-	1,844	-
Moving expenses	-	1,780	1,780	-
Audio visual	1,741	-	1,741	-
Awards	847	-	847	-
Taxes	-	-	-	388,222
Bad Debt Expense	-	-	-	144,121
Total Expenses	<u>\$ 2,432,019</u>	<u>\$ 1,153,752</u>	<u>\$ 3,585,771</u>	<u>\$ 4,333,032</u>