



HIMES & KRULL, LLC

Certified Public Accountants

November 13, 2018

Board of Directors
The Fellowship of Grace Brethren Churches, Inc.
PO Box 384
Winona Lake, IN 46590

Independent Accountants' Review Report

We have reviewed the accompanying financial statements of The Fellowship of Grace Brethren Churches, Inc. (a nonprofit organization), which comprise the statements of financial position as of October 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Known Departure from Accounting Principles Generally Accepted in the United States of America

As disclosed in Note A to the financial statements, generally accepted accounting principles require that the cost of assets which have a useful life of greater than one year be capitalized. The organization has not capitalized such expenditures and the effect to the financial statements has not been determined.

Sincerely,

Himes & Krull, LLC

THE FELLOWSHIP OF GRACE BRETHERN CHURCHES, INC.

Statements of Financial Position

	October 31, 2018	October 31, 2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 453,794	\$ 434,331
Accounts Receivable - Net of Allowance	5,683	12,871
	<u>459,477</u>	<u>447,202</u>
TOTAL ASSETS	<u><u>\$ 459,477</u></u>	<u><u>\$ 447,202</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 755	\$ 23,529
Payroll Liabilities	1,976	1,519
Deferred Revenue	2,961	6,235
Pension Liability - Current Portion		1,072
Escrow Funds	3,029	85,649
	<u>8,721</u>	<u>118,004</u>
Long-Term Debt:		
Pension Liability		3,394
(Less) Current Portion		(1,072)
	<u>-</u>	<u>2,322</u>
TOTAL LIABILITIES	<u>8,721</u>	<u>120,326</u>
Net Assets:		
Without Donor Restrictions	444,869	326,876
With Donor Restrictions	5,887	
	<u>450,756</u>	<u>326,876</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 459,477</u></u>	<u><u>\$ 447,202</u></u>

See notes to financial statements.

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statements of Activities and Changes in Net Assets
For The Year Ended October 31,

	2018	2017
Change in Net Assets Without Donor Restrictions		
Revenues and Gains:		
Membership Fees	\$ 214,820	\$ 211,303
Conference Income	71,115	76,711
Eagle Commission	160,305	71,709
Contributions	108,837	117,303
Focus Retreats	35,733	21,079
Handbook Income	3,700	3,700
Other Income	2,918	361
Investment Income	5,395	3,842
Net Assets Released from Use Restriction	14,113	
Total Unrestricted Revenues and Gains	616,936	506,008
Expenses and Losses:		
Program		
Conference	114,842	129,230
Focus Retreats	78,955	65,051
Eagle Commission	79,739	70,856
Management and General		
Fellowship Council and Committees	88,147	88,673
General Administrative	137,260	126,965
Total Expenses	498,943	480,775
Increase (Decrease) in Net Assets Without Donor Restrictions	117,993	25,233
Change in Net Assets With Donor Restrictions:		
Contributions	20,000	
Net Assets Released from Use Restrictions	(14,113)	
Increase (Decrease) in Net Assets With Donor Restrictions	5,887	-
Net Assets at Beginning of Year	326,876	301,643
Net Assets at End of Year	\$ 450,756	\$ 326,876

See notes to financial statements.

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statement of Functional Expenses
For The Year Ended October 31, 2018

	Conference	Focus Retreats	Eagle Commission	Fellowship Council and Committees	General Administrative	Total
Operating Expenses						
Salaries and Benefits	\$ 37,098	\$ 24,732	\$ 36,472	\$ 75	\$ 76,169	\$ 174,546
Office and Administration	464	2,500	1,719	8	32,969	37,660
Travel	16,084	10,127	24,805	9,570	13,248	73,834
Printing and Promotion	11,508	251	6,250	17,096	14,844	49,949
Special Events	49,688	41,345		61,398	30	152,461
Other			10,493			10,493
Total Operating Expenses	\$ 114,842	\$ 78,955	\$ 79,739	\$ 88,147	\$ 137,260	\$ 498,943

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statement of Functional Expenses
For The Year Ended October 31, 2017

	Conference	Focus Retreats	Eagle Commission	Fellowship Council and Committees	General Administrative	Total
Operating Expenses						
Salaries and Benefits	\$ 42,620	\$ 24,354	\$ 34,358		\$ 54,797	\$ 156,129
Office and Administration	1,500	2,343	450	288	43,528	48,109
Travel	19,985	6,267	29,364	18,317	13,041	86,974
Printing and Promotion	2,258	-	1,791	10,500	11,152	25,701
Special Events	62,867	32,087	4,893	59,568	178	154,700
Other					4,269	9,162
Total Operating Expenses	\$ 129,230	\$ 65,051	\$ 70,856	\$ 88,673	\$ 126,965	\$ 480,775

See notes to financial statements.

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statements of Cash Flows
For The Year Ended October 31,

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Total Increase (Decrease) in Net Assets	\$ 123,880	\$ 25,233
Adjustment to Reconcile Changes in Net Assets to Net Cash Provided by Operations:		
(Increase) Decrease in Accounts Receivable	7,188	2,264
(Increase) Decrease in Other Assets		
(Increase) Decrease in Prepaid Expenses		1,830
Increase (Decrease) in Accounts Payable	(22,774)	11,428
Increase (Decrease) in Deferred Revenue	(3,274)	450
Increase (Decrease) in Escrow Funds	(82,620)	85,649
Increase (Decrease) in Payroll Liabilities	457	97
Increase (Decrease) in Pension Liability	<u>(3,394)</u>	<u>(268)</u>
Net Cash Provided by Operations	19,463	126,683
 Cash and Cash Equivalents - Beginning of Year	<u>434,331</u>	<u>307,648</u>
 Cash and Cash Equivalents - End of Year	<u><u>\$ 453,794</u></u>	<u><u>\$ 434,331</u></u>

See notes to financial statements.

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Notes to Financial Statements

Note A – Summary of Significant Accounting Policies

The Fellowship of Grace Brethren Churches, Inc. (the Organization), exists to encourage and enable member churches in equipping and uniting the saints in fulfilling the Great Commission. These member churches are located throughout the United States and are independently organized and locally controlled. The major programs include the annual conference of Grace Brethren Churches and local leadership retreats. The principal sources of funding are annual membership fees and registration fees for conferences and retreats.

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

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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. Accordingly, actual results could differ from those estimates.

Management has performed an analysis of the activities and transactions subsequent to October 31, 2018 to determine the need for any adjustments to and/or disclosures within the reviewed financial statements for the year ended October 31, 2018. Management has performed their analysis through the date of this report.

The Organization expenses advertising the first time it takes place.

Generally accepted accounting principles require that the cost of assets that have a useful life greater than one year should be capitalized and depreciated over its estimated useful life. The Organization has not capitalized such costs and the effects on the current financial statements have not been determined.

Membership in the Organization is made up of local Grace Brethren Churches, which subscribe to a common covenant and statement of faith. Membership fees are sent to the Organization based on the membership of the local church.

For the purposes of the statement of cash flows, the Organization considers all cash and cash equivalents to include 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.

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Notes to Financial Statements

The Organization is an Indiana corporation exempt from taxation under section 501 (c) (3) of the Internal Revenue Code. Accordingly no provision for federal or state income taxes has been made. The Organization is not classified as a private foundation. The Organization believes it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements. The Organization remains subject to examination by the Internal Revenue Service and Indiana Department of Revenue for the last three years.

No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various committee assignments.

NOTE B – Cash and Cash Equivalents:

The total cash held by the Organization at October 31, 2018 and 2017 in checking accounts was not in excess of amounts covered by insurance provided by the federal government. The Organization also maintains some of its cash in uninsured savings accounts. If the holder of these accounts defaults, the entire account balance is subject to loss. The Organization's total uninsured amounts were \$333,903 and \$236,357 as of October 31, 2018 and 2017, respectively.

Note C – Accounts Receivable

Accounts receivable is recorded at the amount the Organization expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, or records allowances, as of year-end, all balances, or portions thereof that it feels are uncollectible.

Accounts receivable are recorded net of allowance for doubtful accounts of \$-0- for the year ended October 31, 2018 and 2017.

Note D – Deferred Revenues

Revenues received in advance for conferences and retreats are deferred and recognized over the periods to which the revenues are related.

Note E – Retirement Plan: Promise of Honor

The Organization sponsors a defined benefit plan. Participation in the plan was closed as of December 31, 1986. As of October 31, 2018, there are no longer any participants in the plan.

	<u>10/31/18</u>	<u>10/31/17</u>
Obligation and Funded Status:		
Fair value of plan assets	\$ 0	\$ 2,203
Present value of benefit obligation	<u>0</u>	<u>3,394</u>
Funded (Unfunded) status	<u>\$ 0</u>	<u>\$(1,191)</u>
Donations	-0-	\$-0-

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Notes to Financial Statements

Benefits paid	\$ -0-	\$ 1,072
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Present value calculation based on life expectancy estimates from Social Security Agency's life expectancy calculator and a discount rate of 2.4% (rev. rul. 2017-21 table 5).

Note F – Retirement Plan: Employee Plan

The Organization also has a defined contribution plan for its full time employees and for eligible pastors of member churches. The Organization contributes to the plan a percentage of each eligible employee's salary. Contributions for the year ended October 31, 2018 and 2017 were \$16,000 and \$14,000, respectively.

Note G – Escrow Funds:

The Organization administers a retirement plan for member churches. Escrow funds represent the balance of funds collected, but not yet deposited into the participants retirement account. Transfers to the participants' accounts are made within 30 days of receipt.

Note H – Functional Expenses:

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expense that are allocated include travel and salaries, which are allocated on the basis of estimates of time and effort.

Note I – Net Assets:

Net Assets With Donor Restrictions:

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>October 31,</u>	
	<u>2018</u>	<u>2017</u>
Specified Purpose		
Retirement Plan Administration	\$5,887	\$ 0

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Notes to Financial Statements

Net Assets Without Donor Restrictions:

Net assets without donor restrictions are as follows:

	<u>October 31,</u>	
	<u>2018</u>	<u>2017</u>
Undesignated	\$444,869	\$326,876

Net Assets Released from Net Assets With Donor Restrictions are as follows for the year ended:

	<u>October 31,</u>	
	<u>2018</u>	<u>2017</u>
Satisfaction of Purpose Restriction	\$14,113	\$ 0

Note J – Available Resources and Liquidity:

The organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The organization has various sources of liquidity at its disposal, including cash and cash equivalents as well as funds invested at the Grace Brethren Investment Foundation.

For purposes of analyzing resources available to meet general expenditures over a 12 month period, the organization considers all expenditures related to its ongoing regular activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, the organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The organization receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. During the years ended October 31, 2018 and 2017, the organization was able to meet its cash needs from contributions and other regular sources of revenue.

Financial Assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$447,907
Accounts receivable	<u>5,683</u>
	<u>\$453,590</u>

Note K – Reclassifications:

Certain reclassifications have been made to the October 31, 2018 financial statement presentation to include the unsecured savings funds as cash equivalents rather than investments. Net Assets and changes in net assets are unchanged due to this reclassification.

November 13, 2018

The Fellowship of Grace Brethren Churches, Inc.
PO Box 384
Winona Lake IN 46590

The accompanying supplementary information for the year ended October 31, 2018 and 2017 is presented only for analysis purposes and has been compiled by us from information that is the representation of management, without audit or review, and we do not express an opinion or any other form of assurance on such information.

Himes & Krull, LLC

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statement of Functional Income and Expenses Without Eagle Commission & Designated Funds
For The Year Ended October 31, 2018

	Conference	Focus Retreats	Fellowship Council and Committees	General Administrative	Total
Revenue:					
Membership Fees					
Conference / Retreat Income	\$ 71,115	\$ 35,733		\$ 214,820	\$ 214,820
Contributions	8,400		\$ 34,850	65,587	106,848
Handbook Income				3,700	108,837
Other Income					3,700
Investment Income				4,839	-
					4,839
Total Revenue	79,515	35,733	34,850	288,946	439,044
Operating Expenses:					
Salaries and Benefits	37,098	24,732	75	62,056	123,961
Office and Administration	464	2,500	8	32,969	35,941
Travel	16,084	10,127	9,570	13,248	49,029
Printing and Promotion	11,508	251	17,096	14,844	43,699
Special Events	49,688	41,345	61,398	30	152,461
Total Operating Expenses	114,842	78,955	88,147	123,147	405,091
Total Revenue over (under) Expense	\$ (35,327)	\$ (43,222)	\$ (53,297)	\$ 165,799	\$ 33,953

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statement of Functional Income and Expenses Without Eagle Commission & Designated Funds
For The Year Ended October 31, 2017

	Conference	Focus Retreats	Fellowship Council and Committees	General Administrative	Total
Revenue:					
Membership Fees					
Conference / Retreat Income	\$ 76,711	\$ 21,079		\$ 211,303	\$ 211,303
Contributions	7,000	8,723	\$ 44,068	57,512	97,790
Handbook Income				3,700	117,303
Other Income	361				3,700
Investment Income				3,842	361
					3,842
Total Revenue	84,072	29,802	44,068	276,357	434,299
Operating Expenses:					
Salaries and Benefits	42,620	24,354		54,797	121,771
Office and Administration	1,500	2,343	288	43,528	47,659
Travel	19,985	6,267	18,317	13,041	57,610
Printing and Promotion	2,258		10,500	11,152	23,910
Special Events	62,867	32,087	59,568	178	154,700
Total Operating Expenses	129,230	65,051	88,673	122,696	405,650
Total Revenue over (under) Expense	\$ (45,158)	\$ (35,249)	\$ (44,605)	\$ 153,661	\$ 28,649