



November 22, 2019

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, 2019 and 2018, 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 BRETHREN CHURCHES, INC.

Statements of Financial Position

	October 31, 2019	October 31, 2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents		
Eagle Commission	\$ 96,879	\$ 86,492
Retirement Investment Plan	149	4,757
Other Operations	401,672	362,545
	<u>498,700</u>	<u>453,794</u>
Accounts Receivable - Net of Allowance	5,942	5,683
Prepaid Expenses	<u>2,549</u>	
TOTAL ASSETS	<u><u>\$ 507,191</u></u>	<u><u>\$ 459,477</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 5,804	\$ 755
Payroll Liabilities	2,048	1,976
Contract Liabilities	4,860	2,961
Escrow Funds	<u></u>	<u>3,029</u>
TOTAL LIABILITIES	12,712	8,721
Net Assets:		
Without Donor Restrictions	494,479	444,869
With Donor Restrictions	<u></u>	<u>5,887</u>
	<u>494,479</u>	<u>450,756</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 507,191</u></u>	<u><u>\$ 459,477</u></u>

See notes to financial statements.

THE FELLOWSHIP OF GRACE BRETHERN CHURCHES, INC.

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

	2019	2018
Change in Net Assets Without Donor Restrictions		
Revenues and Gains:		
Membership Fees	\$ 226,613	\$ 214,820
Conference Income	66,388	71,115
Eagle Commission	89,693	160,305
Contributions	106,093	108,837
Focus Retreats	48,623	35,733
Handbook Income		3,700
Other Income	7,027	8,313
Retirement Investment Plan Fees	11,787	
Net Assets Released from Use Restriction	5,887	14,113
Total Unrestricted Revenues and Gains	562,111	616,936
Expenses and Losses:		
Program		
Conference	126,550	114,842
Focus Retreats	92,629	78,955
Eagle Commission	80,567	79,739
Management and General		
Fellowship Council and Committees	88,899	88,147
Retirement Investment Plan	22,576	
General Administrative	101,280	137,260
Total Expenses	512,501	498,943
Increase (Decrease) in Net Assets Without Donor Restrictions	49,610	117,993
Change in Net Assets With Donor Restrictions:		
Contributions		20,000
Net Assets Released from Use Restrictions	(5,887)	(14,113)
Increase (Decrease) in Net Assets With Donor Restrictions	(5,887)	5,887
Net Assets at Beginning of Year	450,756	326,876
Net Assets at End of Year	\$ 494,479	\$ 450,756

See notes to financial statements.

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statement of Functional Expenses
For The Year Ended October 31, 2019

	Conference	Focus Retreats	Eagle Commission	Fellowship Council and Committees	Retirement Investment Plan	General Administrative	Total
Operating Expenses							
Salaries and Benefits	\$ 41,161	\$ 27,441	\$ 37,151		\$ 19,724	\$ 68,786	\$ 194,263
Office and Administration		155	2,388		2,291	25,760	30,594
Travel	12,347	13,467	23,490	\$ 14,869	561	6,734	71,468
Printing and Promotion	9,695	6,849	4,493	6,667			27,704
Special Events	63,347	44,717		47,363			155,427
Other			13,045				13,045
Grants & Donations				20,000			20,000
Total Operating Expenses	\$ 126,550	\$ 92,629	\$ 80,567	\$ 88,899	\$ 22,576	\$ 101,280	\$ 512,501

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.

Statements of Cash Flows
For The Year Ended October 31,

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Total Increase (Decrease) in Net Assets	\$ 43,723	\$ 123,880
Adjustment to Reconcile Changes in Net Assets to Net Cash Provided by Operations:		
(Increase) Decrease in Accounts Receivable	(259)	7,188
(Increase) Decrease in Prepaid Expenses	(2,549)	
Increase (Decrease) in Accounts Payable	5,049	(22,774)
Increase (Decrease) in Deferred Revenue	1,899	(3,274)
Increase (Decrease) in Escrow Funds	(3,029)	(82,620)
Increase (Decrease) in Payroll Liabilities	72	457
Increase (Decrease) in Pension Liability		(3,394)
Net Cash Provided by Operations	44,906	19,463
Cash and Cash Equivalents - Beginning of Year	<u>453,794</u>	<u>434,331</u>
Cash and Cash Equivalents - End of Year	<u>\$ 498,700</u>	<u>\$ 453,794</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, 2019 to determine the need for any adjustments to and/or disclosures within the reviewed financial statements for the year ended October 31, 2019. 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 – Revenue:

Adoption of New Accounting Standard:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)”. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in the U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective November 1, 2018, the first day of the Organization’s fiscal year using the modified retrospective approach.

As part of the adoption of the ASU, the Organization elected the following transition practical expedients: (1) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (2) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption did not result in a change to beginning retained earnings as of November 1, 2018, nor any change for the year ended October 31, 2019.

Revenue Recognition Policy:

The Organization derives its revenues primarily from membership fees, donations, and conference and retreat fees. Membership fee revenues are recognized when received and revenues from conference and retreats are recognized at the time of service. Incidental items that are immaterial in the context of the contract are recognized as expense. The Organization does not have any significant financing components as payments are generally received at or shortly before the time of service.

Disaggregation of Revenue from Contracts with Customers:

For the year ended October 31, 2019 and 2018, 100% of revenue the Organization earned was related to performance obligations satisfied at a point in time.

Revenue from performance obligations satisfied at a point in time consists of membership fees and fees for conferences and retreats. These goods/services are provided to churches, pastors and congregates of the Charis Fellowship.

Performance Obligations:

For performance obligations related to membership fees, the Organization does not provide specific

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Notes to Financial Statements

reciprocal goods or services, but the fee allows the member organization to participate and vote in fellowship matters. Fees related to conferences and retreats are earned at the time of service. The Organization's principal terms for membership fees are due annually by March 1. Fees for conferences and retreats are due at time of service.

Variable Consideration:

That nature of the Organization's business does not give rise to variable consideration, including rebates, allowances, warranties, and returns that generally decrease the transaction price which reduces revenue.

Contract Assets and Liabilities:

Contract assets include unbilled amounts typically resulting in sales under contracts when the percentage-of-completion method of revenue recognition is utilized, and revenue recognized exceeds the amount billed to the customer. Contract liabilities include billings in excess of revenue recognized or deferred revenue. The Organization's deferred revenue is generally a result from receipts for conferences and retreats that will occur in the following fiscal year. Contract assets and contract liabilities were as follows for the years ended October 31:

	2019	2018	2017
Contract Assets	\$0	\$0	\$0
Contract Liabilities	\$4,860	\$2,961	\$6,235

NOTE C – Cash and Cash Equivalents:

The total cash held by the Organization at October 31, 2019 and 2018 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 \$415,377 and \$333,903 as of October 31, 2019 and 2018, respectively.

Note D – 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, 2019 and 2018.

Note E – Contract Liabilities

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

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Notes to Financial Statements

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, 2019 and 2018 were \$16,423 and \$16,000, 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 is allocated includes salaries, benefits and related taxes, 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>2019</u>	<u>2018</u>
Specified Purpose		
Retirement Plan Administration	\$0	\$5,887

Net Assets Without Donor Restrictions:

Net assets without donor restrictions are as follows:

	<u>October 31,</u>	
	<u>2019</u>	<u>2018</u>
Undesignated	\$494,479	\$444,869

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Notes to Financial Statements

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

	<u>October 31,</u>	
	<u>2019</u>	<u>2018</u>
Satisfaction of Purpose Restriction	\$5,887	\$14,113

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, 2019 and 2018, 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	\$498,700
Accounts receivable	<u>5,942</u>
	<u>\$504,642</u>

November 22, 2019

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

The accompanying supplementary information for the year ended October 31, 2019 and 2018 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, RIP & Restricted Funds
For The Year Ended October 31, 2019

	Conference	Focus Retreats	Fellowship Council and Committees	General Administrative	Total
Revenue:					
Membership Fees				\$ 226,613	\$ 226,613
Conference / Retreat Income	\$ 66,388	\$ 48,623			115,011
Contributions	7,200		\$ 17,000	66,893	91,093
Other Income				5,766	5,766
Total Revenue	73,588	48,623	17,000	299,272	438,483
Operating Expenses:					
Salaries and Benefits	41,161	27,441		68,786	137,388
Office and Administration		155		25,760	25,915
Travel	12,347	13,467	14,869	6,734	47,417
Printing and Promotion	9,695	6,849	6,667		23,211
Special Events	63,347	44,717	47,363		155,427
Grants and Donations	-	-	20,000		20,000
Total Operating Expenses	126,550	92,629	88,899	101,280	409,358
Total Revenue over (under) Expense	\$ (52,962)	\$ (44,006)	\$ (71,899)	\$ 197,992	\$ 29,125

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statement of Functional Income and Expenses Without Eagle Commission, RIP & Restricted 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				4,839	3,700
					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