

FELLOWSHIP OF GRACE  
BRETHREN CHURCHES, INC.  
(A NONPROFIT ORGANIZATION)  
Winona Lake, Indiana

FINANCIAL STATEMENTS

Years Ended October 31, 2007 and 2006

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To the Board of Directors  
Fellowship of Grace Brethren Churches, Inc.  
Winona Lake, Indiana

We have reviewed the accompanying statements of financial position of the Fellowship of Grace Brethren Churches, Inc. (a nonprofit organization) as of October 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the Fellowship of Grace Brethren Churches, Inc.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is to express an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 generally accepted accounting principles.

December 31, 2007

*DAHMS & YARIAN*

## FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

STATEMENTS OF FINANCIAL POSITION  
October 31, 2007 and 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash	\$ 83,747	\$ 68,781
Cash-GBIF	58,405	75,005
Cash-Pension Investment Plan	4,988	-0-
Accounts receivable	655	2,654
Prepaid expenses	12,364	18,582
Total Current Assets	<u>\$ 160,159</u>	<u>\$ 165,022</u>
	<u>\$ 160,159</u>	<u>\$ 165,022</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -0-	\$ 2,398
Accrued payroll expense	1,063	510
Accrued expense	-0-	500
Agency funds	104,052	108,052
Total Current Liabilities	<u>\$ 105,115</u>	<u>\$ 111,460</u>
NET ASSETS		
Unrestricted	\$ 85,085	\$ 92,591
Temporarily restricted	(30,041)	(39,029)
Total Net Assets	<u>\$ 55,044</u>	<u>\$ 53,562</u>
	<u>\$ 160,159</u>	<u>\$ 165,022</u>

See accompanying notes and accountant's report.

## FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

## STATEMENTS OF ACTIVITIES

Years ended October 31, 2007 and 2006

	2007	2006
UNRESTRICTED NET ASSETS		
Revenues		
Membership fees	\$ 147,656	\$ 140,908
Conference income	148,771	129,768
Focus retreats	31,825	29,225
Contributions	29,825	31,900
Driven	24,409	-0-
Other income	7,406	6,487
Total Unrestricted Revenue	<u>\$ 389,892</u>	<u>\$ 338,288</u>
Expenses		
Program services		
Conference	\$ 161,847	\$ 164,554
Focus retreats	58,459	56,970
Driven	21,666	-0-
Supporting services		
Fellowship council		
and committees	41,219	34,422
General administrative	97,607	83,239
Total Expenses	<u>\$ 380,798</u>	<u>\$ 339,185</u>
CHANGE IN UNRESTRICTED NET ASSETS	\$ 9,094	\$ (897)
TEMPORARILY RESTRICTED NET ASSETS		
Interest income	\$ 2,600	\$ 2,961
Donations	1,696	-0-
Addition of Retirement Investment Plan	5,236	-0-
Net assets released from		
restrictions	(20,896)	(21,450)
Decrease in present value of		
benefit obligation	4,000	43,578
Retirement Investment Plan Expenses	<u>(248)</u>	<u>-0-</u>
CHANGE IN TEMPORARILY		
RESTRICTED NET ASSETS	<u>\$ (7,612)</u>	<u>\$ 25,089</u>
CHANGE IN NET ASSETS	\$ 1,482	\$ 24,192
NET ASSETS, BEGINNING OF YEAR	<u>53,562</u>	<u>29,370</u>
NET ASSETS, END OF YEAR	<u>\$ 55,044</u>	<u>\$ 53,562</u>

See accompanying notes and accountant's report.

## FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended October 31, 2007

	CONFERENCE	FOCUS RETREATS	DRIVEN CONFERENCE	FELLOWSHIP COUNCIL AND COMMITTEES	OFFICE AND ADMINISTRATION	TOTAL
Speakers & honoraria	\$ 21,028	\$	\$ 1,700	\$ 1,700	\$	\$ 24,428
Salaries & benefits	34,646	19,298		14,755	46,095	114,794
Facilities & equipment	39,005	19,811	8,527		7,875	75,218
Childcare	5,367		240			5,607
Meals	19,849	12,457	5,684		1,984	39,974
Office & administration	112				24,359	24,471
Travel	3,447	6,893		5,170	1,723	17,233
Printing & promotion	28,828		2,572		14,344	45,744
Special events	800					800
Promise of honor					20,896	20,896
Other	8,765		2,943	19,594	1,475	32,777
Total Expenses	<u>\$ 161,847</u>	<u>\$ 58,459</u>	<u>\$ 21,666</u>	<u>\$ 41,219</u>	<u>\$ 118,751</u>	<u>\$ 401,942</u>

See accompanying notes and accountant's report.



## FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended October 31, 2006

	CONFERENCE	FOCUS RETREATS	FELLOWSHIP COUNCIL AND COMMITTEES	OFFICE AND ADMINISTRATION	TOTAL
Speakers & honoraria	\$ 4,254	\$	\$ 1,700	\$	\$ 5,954
Salaries & benefits	33,443	18,597	15,182	41,229	108,451
Facilities & equipment	22,090	16,096		8,366	46,552
Childcare	8,396				8,396
Meals	60,643	15,652		264	76,559
Office & administration	98			20,863	20,961
Travel	13,805	5,578	4,183	1,394	24,960
Printing & promotion	12,521	1,047		11,123	24,691
Special events	3,155				3,155
Promise of honor				21,450	21,450
Other	6,149		13,357		19,506
Total Expenses	<u>\$ 164,554</u>	<u>\$ 56,970</u>	<u>\$ 34,422</u>	<u>\$ 104,689</u>	<u>\$ 360,635</u>

See accompanying notes and accountant's report.

## FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

STATEMENTS OF CASH FLOWS  
Years ended October 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,482	\$ 24,192
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	1,999	(1,742)
Prepaid expenses	6,218	(12,555)
Increase (decrease) in:		
Accounts payable	(2,398)	2,398
Accrued payroll expense	553	37
Accrued expense	(500)	500
Agency funds	(4,000)	(43,579)
Advance registration fees	-0-	(1,360)
Net Cash Provided (Used) by Operating Activities	\$ 3,354	\$ (32,109)
CASH AT BEGINNING OF YEAR	<u>143,786</u>	<u>175,895</u>
CASH AT END OF YEAR	<u><u>\$ 147,140</u></u>	<u><u>\$ 143,786</u></u>

See accompanying notes and accountant's report.

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

NOTES TO FINANCIAL STATEMENTS  
October 31, 2007 and 2006

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Ministries - 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 conference and retreats.

Income Taxes - The Organization is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Basis of Presentation - The 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 Organization 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.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and investments which have permanent restrictions placed upon them are included in other assets.

Accounts Receivable - Accounts receivable are primarily comprised of outstanding conference fees. The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible.

Deferred Revenue - Registration and fees received in advance for conferences and retreats are deferred and recognized over the periods to which the registrations and fees are related.



FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
October 31, 2007 and 2006

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions - Contributions received are recognized as revenue in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor.

Agency Funds - The Organization has collected funds for the benefit of another organization and has listed these funds as a current liability. The agency funds are designated for "Promise of Honor."

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Restricted Resources - The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Membership - 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.

NOTE B - DONATED SERVICES

No amounts have been reflected in the financial statements for donated services. The Organization pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various committee assignments. The Organization receives approximately 240 volunteer hours per year.

## FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
October 31, 2007 and 2006

## NOTE C - RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan for its full time employees and for eligible pastors of member churches. Administrative expenses are paid out of plan assets. The Organization contributes to the plan a percentage of each eligible employee's salary. Contributions made during the years ended October 31, 2007 and 2006, and included in these financial statements, were \$8,100 and \$8,100, respectively.

The Organization also sponsors a defined benefit plan. Participation in the plan was closed as of December 31, 1986. Benefits continue to be paid out of the plan assets.

Obligations and Funded Status

	Pension Benefits	
	10/31/07	10/31/06
Fair value of plan assets at October 31	\$58,405	\$75,005
Present value of benefit obligation at October 31	104,052	108,052
Unfunded status	45,647	33,047
Benefit cost	-	-
Employer contributions	-	-
Plan participants' contributions	-	-
Donations	1,696	-
Benefits paid	20,896	21,450

Assumptions

	Pension Benefits	
	10/31/07	10/31/06
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	4.5 %	4.5%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	4.5 %	4.5%

The Company's expected rate of return on plan assets is determined by the plan assets' current investments.

Plan Assets

The Company's pension plan assets are invested in Grace Brethren Investment Foundation at October 31, 2007 and 2006. The interest rate at October 31, 2007 and 2006 was 4.0% and 3.67%, respectively.

## FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
October 31, 2007 and 2006Cash Flows

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Pension Benefits</u>
10/31/08	\$ 20,196
10/31/09	20,196
10/31/10	19,499
10/31/11	19,042
10/31/12	16,828
10/31/13	11,770
10/31/14	7,193
10/31/15	4,783
10/31/16	1,496
10/31/17	<u>126</u>
Total	<u>\$ 121,129</u>

## NOTE D - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>10/31/07</u>	<u>10/31/06</u>
Defined Benefit Plan "Promise of Honor"	\$(35,029)	\$(39,029)
Retirement Investment Plan	<u>4,988</u>	<u>-0-</u>
Total	<u>\$(30,041)</u>	<u>\$(39,029)</u>