

Fellowship of Grace Brethren Churches, Inc.
(A Not-For-Profit Organization)

Financial Statements
(Unaudited)

Year Ended October 31, 2010 and 2009

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

We have reviewed the accompanying statement of financial position of the Fellowship of Grace Brethren Churches, Inc. (a nonprofit organization) as of October 31, 2010 and 2009, and the related statement 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 management of 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, with the exception of the matter described in the following paragraph, 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.

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.

Owens & Company, P.C.

January 17, 2011

Fellowship of Grace Brethren Churches , Inc.
Statement of Financial Position
October 31, 2010 and 2009

	Assets	
	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 69,960	\$ 68,191
Other Receivables	8,622	7,032
Accounts Receivable	1,866	1,524
Prepaid Expenses	<u>0</u>	<u>5,655</u>
Total Current Assets	<u>\$ 80,448</u>	<u>\$ 82,402</u>
OTHER ASSETS		
Pension Investment Account	19,304	18,314
GBIF - POH Account	<u>1,626</u>	<u>30,613</u>
Total Other Assets	<u>\$ 20,930</u>	<u>\$ 48,927</u>
TOTAL ASSETS	<u><u>\$ 101,378</u></u>	<u><u>\$ 131,329</u></u>
Liabilities & Net Assets		
CURRENT LIABILITIES		
Accrued Expenses	\$ 141	\$ 1,241
Payroll Liabilities	456	565
Accounts Payable	2,292	0
Agency Funds, Current Portion	<u>12,256</u>	<u>13,612</u>
Total Current Liabilities	<u>\$ 15,145</u>	<u>\$ 15,418</u>
LONG-TERM LIABILITIES		
Agency Funds, Net of Current Portion	<u>\$ 43,106</u>	<u>\$ 41,172</u>
Total Liabilities	<u>\$ 58,251</u>	<u>\$ 56,590</u>
NET ASSETS		
Unrestricted	\$ 75,807	\$ 79,472
Temporarily Restricted	<u>(32,680)</u>	<u>(4,733)</u>
Total Net Assets	<u>\$ 43,127</u>	<u>\$ 74,739</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 101,378</u></u>	<u><u>\$ 131,329</u></u>

See accompanying notes and accountant's report.

Fellowship of Grace Brethren Churches , Inc.
Statement of Activities
Year Ended October 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS		
Revenues		
Membership Fees	\$ 143,803	\$ 141,228
Conference Income	62,842	139,257
Contributions	56,568	58,231
Focus Retreats	20,149	25,115
Other Income	10	5,751
Driven	<u>0</u>	<u>3,379</u>
Total Unrestricted Revenue	\$ 283,372	\$ 372,961
Expenses		
Program Services		
Conference	\$ 98,666	\$ 156,735
Focus Retreats	47,188	57,203
Driven	0	3,147
Supporting Services		
Fellowship Council and Committees	44,969	30,604
General Administrative	<u>96,214</u>	<u>91,622</u>
Total Expenses	\$ 287,037	\$ 339,311
CHANGE IN UNRESTRICTED NET ASSETS	\$ (3,665)	\$ 33,650
TEMPORARILY RESTRICTED NET ASSETS		
Interest Income - Temporarily Restricted	\$ 1,042	\$ 1,266
POH Donations - Temporarily Restricted	6,188	14,397
Net Assets Released from Restrictions	(35,175)	(15,750)
(Increase)/Decrease in Present Value of Benefit Obligation	(2)	24,077
Retirement Investment Plan Expenses	<u>0</u>	<u>(28)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	\$ (27,947)	\$ 23,962
Change in Net Assets	\$ (31,612)	\$ 57,612
Net Assets at Beginning of Year	<u>74,739</u>	<u>17,127</u>
Net Assets at End of Year	<u><u>\$ 43,127</u></u>	<u><u>\$ 74,739</u></u>

See accompanying notes and accountant's report.

Fellowship of Grace Brethren Churches , Inc.
Statement of Functional Expenses
Year Ended October 31, 2010

	Conference	Focus Retreat	Driven Conference	Fellowship Council and Committees	Office and Administration	Total
Operating Expenses						
Salaries and Benefits	30,327	15,597	0	11,264	54,198	111,386
Moderator	0	0	0	127	0	127
Facilities and Equipment	0	15,542	0	0	0	15,542
Office and Administration	27	0	0	185	27,063	27,275
Travel	4,817	7,399	0	21,258	2,082	35,555
Printing and Promotion	6,354	250	0	4,517	11,993	23,114
Sppecial Events	57,141	8,400	0	7,618	299	73,458
POH Pension	0	0	0	0	35,175	35,175
Other	0	0	0	0	579	579
Total Operating Expenses	<u>98,666</u>	<u>47,188</u>	<u>0</u>	<u>44,969</u>	<u>131,389</u>	<u>322,211</u>

See accompanying notes and accountant's report.

Fellowship of Grace Brethren Churches , Inc.
Statement of Cash Flows
Year Ended October 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ (31,612)	\$ 57,612
Adjustments to reconcile change in Net Assets to net cash provided by (used in) operating activities:		
Decrease(Increase) in Operating Assets:		
Accounts Receivable	27,655	(695)
Other Receivable	(1,590)	1,940
Other Assets	0	87
Prepaid Expenses	5,655	(5,655)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	2,292	(46,310)
Accured Payroll Expense	(109)	(124)
Accrued Expenses	(1,100)	1,241
Agency Funds	578	(24,078)
Total Adjustments	<u>33,381</u>	<u>(73,594)</u>
Net Cash Provided By Operating Activities	1,769	(15,982)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>68,191</u>	 <u>84,173</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u><u>\$ 69,960</u></u>	 <u><u>\$ 68,191</u></u>

See accompanying notes and accountant's report.

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.
NOTES TO THE FINANCIAL STATEMENTS
October 31, 2010 and 2009

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 conferences 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 expenses to be reimbursed. 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 uncollectable.

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.

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.

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.
NOTES TO THE FINANCIAL STATEMENTS
October 31, 2010 and 2009

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (cont.)

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.

Property and Equipment – Generally accepted accounting principles require that the cost of assets that have a useful life greater than one (1) 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.

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.

NOTE C – RETIREMENT PLANS

Promise of Honor Plan:

The Organization 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

	<u>Pension Benefits</u>	
	<u>10/31/10</u>	<u>10/31/09</u>
Fair value of plan assets	\$ 19,304	\$ 30,613
Present value of benefit obligation	55,362	54,784
Unfunded status	36,058	24,171
Donations	6,188	14,397
Benefits paid	35,175	15,750

Assumptions

	<u>Pension Benefits</u>	
	<u>10/31/10</u>	<u>10/31/09</u>
Weighted-average assumptions used to determine benefit obligations:		
Discount/Interest rate	2.79%	3.05%

Life Expectancy Estimates from Social Security Agency's statistical report for 2010
<http://www.ssa.gov/OACT/STATS/table4c6.html>

The following benefit payments, which reflect expected future service, as appropriate with the assumed life expectancy, to be paid without the assumption of interest earned over the years:

	<u>Pension Benefits</u>
10/31/2011	12,266
10/31/2012	12,266
10/31/2013	11,959
10/31/2014	10,319
10/31/2015	5,069
10/31/2016	2,064
10/31/2017	1,260
10/31/2018	<u>210</u>
Total	\$ 55,362

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.
NOTES TO THE FINANCIAL STATEMENTS
October 31, 2010 and 2009

NOTE C – RETIREMENT PLAN (cont.)

Also, 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, 2010 & 2009, was \$8,592 per year.

Both of the Organization's pension plan assets are invested in the Grace Brethren Investment Foundation at October 31, 2010. The interest rate at October 31, 2010 was 2.79%.

NOTE D – RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>10/31/10</u>	<u>10/31/09</u>
Defined Benefit Plan "Promise of Honor"	\$ (51,984)	\$ (23,047)
Retirement Investment Plan	<u>19,304</u>	<u>18,314</u>
Total	<u>\$ (32,680)</u>	<u>\$ (4,733)</u>

NOTE E – CONCENTRATION OF CONTRIBUTORS RISK

The Organization's contributions are received from many individuals as well as small churches. However there are 8 churches that give close to 30% of all contributions in each year. It is unlikely that all 8 churches would discontinue operations at the same time. Therefore there is not a perceived risk due to concentration of contributors.

NOTE F– RELATED PARTY TRANSACTIONS

Tom Avey is a full-time employee of the Fellowship of Grace Brethren Churches, and is also a board member on the Retirement Investment Committee (approved by delegates at the annual conference) that oversees the interest of the 401(k) retirement plan and Promise of Honor pension plan for the Organization. Tom's position on the board is completely voluntary and he receives no form of compensation.