



HIMES & KRULL, LLC

Certified Public Accountants

December 2, 2014

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 statements of financial position of The Fellowship of Grace Brethren Churches, Inc. as of October 31, 2014 and 2013 and the related statements of activities, 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 company 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 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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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.

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.

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THE FELLOWSHIP OF GRACE BRETHERN CHURCHES, INC.

Statements of Financial Position

	October 31, 2014	October 31, 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 112,548	\$ 73,712
Accounts Receivable - Net of Allowance	9,612	12,946
Other Receivables		5,375
Prepaid Expenses	9,622	6,299
	<u>131,782</u>	<u>98,332</u>
Other Assets:		
GBIF Investment	784	938
TOTAL ASSETS	<u>\$ 132,566</u>	<u>\$ 99,270</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 1,561	\$ 888
Payroll Liabilities	1,571	1,236
Deferred Revenue	11,480	17,460
Pension Liability - Current Portion	1,072	1,236
Escrow Funds		250
	<u>15,684</u>	<u>21,070</u>
Long-Term Debt:		
Pension Liability	4,198	4,896
(Less) Current Portion	(1,072)	(1,236)
	<u>3,126</u>	<u>3,660</u>
TOTAL LIABILITIES	<u>18,810</u>	<u>24,730</u>
Net Assets:		
Unrestricted	97,487	74,540
Temporarily Restricted	16,269	
	<u>113,756</u>	<u>74,540</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 132,566</u>	<u>\$ 99,270</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,

	2014	2013
Change in Unrestricted Net Assets:		
Revenues and Gains:		
Membership Fees	\$ 174,221	\$ 161,141
Conference Income	138,501	132,781
Eagle Commission	86,983	95,077
Contributions	89,532	123,645
Focus Retreats	60,060	53,642
Handbook Income	4,200	
Other Income	1,403	3,903
Interest Income	566	731
Decrease in Present Value of Pension Obligation		12,515
Total Unrestricted Revenues and Gains	555,466	583,435
Expenses and Losses:		
Program		
Conference	186,602	174,422
Focus Retreats	88,201	81,524
Eagle Commission	76,825	90,110
Management and General		
Fellowship Council and Committees	64,314	69,929
General Administrative	116,577	115,804
Total Expenses	532,519	531,789
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	22,947	51,646
Change in Temporarily Restricted Net Assets:		
Contributions	16,269	
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	16,269	-
Net Assets at Beginning of Year	74,540	22,894
Net Assets at End of Year	\$ 113,756	\$ 74,540

See notes to financial statements.

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statement of Functional Expenses
For The Year Ended October 31, 2014

	Conference	Focus Retreats	Eagle Commission	Fellowship Council and Committees	General Administrative	Total
Operating Expenses						
Salaries and Benefits	\$ 39,019	\$ 22,268	\$ 32,025	\$ 6,000	\$ 50,105	\$ 149,417
Office and Administration	1,114	12	19,662	3,075	35,337	59,200
Travel	13,738	7,053	18,151	25,098	8,702	72,742
Printing and Promotion	9,782	68	2,114	2,159	9,399	23,522
Special Events	122,829	58,800		27,705		209,334
Other	120		4,873	277	13,034	18,304
Total Operating Expenses	\$ 186,602	\$ 88,201	\$ 76,825	\$ 64,314	\$ 116,577	\$ 532,519

See notes to financial statements.

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statement of Functional Expenses
For The Year Ended October 31, 2013

	Conference	Focus Retreats	Eagle Commission	Fellowship Council and Committees	General Administrative	Total
Operating Expenses						
Salaries and Benefits	\$ 41,898	\$ 23,597	\$ 33,336	\$ 5,443	\$ 55,768	\$ 160,042
Office and Administration	80	22	4,529	35	36,509	41,175
Travel	6,619	4,002	42,478	25,769	9,141	88,009
Printing and Promotion	8,208		3,966	33	8,422	20,629
Special Events	117,574	53,713		37,386		208,673
Other	43	190	5,801	1,263	5,964	13,261
Total Operating Expenses	\$ 174,422	\$ 81,524	\$ 90,110	\$ 69,929	\$ 115,804	\$ 531,789

See notes to financial statements.

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statements of Cash Flows
For The Year Ended October 31,

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Total Increase (Decrease) in Net Assets	\$ 39,216	\$ 51,646
Adjustment to Reconcile Changes in Net Assets to Net Cash		
Provided by Operations:		
(Increase) Decrease in Accounts Receivable	3,334	(9,779)
(Increase) Decrease in Other Receivables	5,375	(5,375)
(Increase) Decrease in Other Assets	154	7,142
(Increase) Decrease in Prepaid Expenses	(3,323)	57
Increase (Decrease) in Accounts Payable	673	(17,858)
Increase (Decrease) in Deferred Revenue	(5,980)	17,460
Increase (Decrease) in Escrow Funds	(250)	250
Increase (Decrease) in Payroll Liabilities	335	930
Increase (Decrease) in Pension Liability	<u>(698)</u>	<u>(12,515)</u>
Net Cash Provided by Operations	38,836	31,958
 Cash and Cash Equivalents - Beginning of Year	 <u>73,712</u>	 <u>41,754</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 112,548</u></u>	<u><u>\$ 73,712</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.

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This procedure provides that resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund, however, in the accompanying financial statements, funds have been combined into fund groups as recommended by the Financial Accounting Standards Board. Under generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; Unrestricted, Temporarily Restricted and Permanently Restricted. The Permanently Restricted fund consists of funds that the donors have stipulated that only income from the funds is to be used. The Temporarily Restricted fund consists of funds with donor stipulations that limit the uses of the funds. When the restriction is satisfied the temporarily restricted net assets are reclassified to the unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If restrictions to donations are met in the same fiscal year as the donation is made, the funds are recorded as unrestricted. The Unrestricted fund includes funds available for unrestricted use including any funds that may be designated by the board of directors for a particular use.

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, 2014 to determine the need for any adjustments to and/or disclosures within the reviewed financial statements for the year ended October 31, 2014. 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

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Notes to Financial Statements

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.

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

The total cash held by the Organization at October 31, 2014 and 2013 was not in excess of amounts covered by insurance provided by the federal government.

Note C – Fair Value of Financial Instruments

The Organization's carrying amount for financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, and pension liability, approximates fair value.

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, 2014 and 2013.

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Notes to Financial Statements

Note E – Deferred Revenues

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

Note F – Retirement Plan: Promise of Honor

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. This plan has a non-interest bearing checking account through PNC Bank and a savings account with Grace Brethren Investment Foundation earning 2.0% interest in 2014 and 2013.

Obligation and Funded Status:

Fair value of plan assets	\$2,525	\$ 2,439
Present value of benefit obligation	<u>4,198</u>	<u>4,896</u>
Unfunded status	<u><u>\$(1,673)</u></u>	<u><u>\$(2,457)</u></u>
Donations	-0-	-0-
Benefits paid	\$1,463	\$ 5,964

Present value calculation based on life expectancy estimates from Social Security Agency's life expectancy calculator and a discount rate of 2.2% (rev. rul. 2014-26 table 5).

The following benefit payments are expected over the next five years:

10/31/15	1,072
10/31/16	1,072
10/31/17	1,072
10/31/18	982
10/31/19 & Thereafter	<u>0</u>
Total	<u><u>\$4,198</u></u>

Note I – 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, 2014 and 2013 were \$8,592 and \$16,342, respectively.

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Notes to Financial Statements

Note J - Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	<u>10/31/14</u>	<u>10/31/13</u>
Use Restricted	\$16,269	-0-

Note K – Commitments

The Organization has entered into a contract for the use of facilities for a future conference. If this event was cancelled, the Organization has a potential liability based on the terms of the contract. These sites are typically reserved one year in advance and, although there are no funds deposited, there are significant penalties for cancellation. As of October 31, 2014, these potential cancellation penalties were approximately \$27,000.