



# HIMES & KRULL, LLC

Certified Public Accountants

January 6, 2017

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, 2016 and 2015 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.

Himes & Krull, LLC

THE FELLOWSHIP OF GRACE BRETHERN CHURCHES, INC.

Statements of Financial Position

	October 31, 2016	October 31, 2015
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 100,133	\$ 117,191
Accounts Receivable - Net of Allowance	15,135	9,569
Prepaid Expenses	1,830	10,011
	<u>117,098</u>	<u>136,771</u>
Other Assets:		
GBIF Investment	207,515	-
	<u>207,515</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 324,613</u></u>	<u><u>\$ 136,771</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable	\$ 12,101	\$ 10,467
Payroll Liabilities	1,422	1,446
Deferred Revenue	5,785	11,600
Pension Liability - Current Portion	1,072	1,072
Escrow Funds	-	88
	<u>20,380</u>	<u>24,673</u>
Long-Term Debt:		
Pension Liability	3,662	3,841
(Less) Current Portion	(1,072)	(1,072)
	<u>2,590</u>	<u>2,769</u>
<b>TOTAL LIABILITIES</b>	<u>22,970</u>	<u>27,442</u>
Net Assets:		
Unrestricted	301,643	96,344
Temporarily Restricted	-	12,985
	<u>301,643</u>	<u>109,329</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 324,613</u></u>	<u><u>\$ 136,771</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,

	2016	2015
Change in Unrestricted Net Assets:		
Revenues and Gains:		
Membership Fees	\$ 211,966	\$ 196,043
Conference Income	121,367	117,708
Eagle Commission	59,402	61,449
Contributions	300,898	112,874
Focus Retreats	38,910	52,192
Handbook Income	4,100	3,500
Other Income	1,557	-
Interest Income	546	435
Net Assets Released from Use Restriction	12,985	16,269
Total Unrestricted Revenues and Gains	751,731	560,470
Expenses and Losses:		
Program		
Conference	174,786	179,981
Focus Retreats	86,578	72,050
Eagle Commission	63,841	67,618
Management and General		
Fellowship Council and Committees	78,360	82,446
General Administrative	142,867	159,518
Total Expenses	546,432	561,613
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	205,299	(1,143)
Change in Temporarily Restricted Net Assets:		
Contributions	-	12,985
Net Assets Released from Use Restrictions	(12,985)	(16,269)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(12,985)	(3,284)
Net Assets at Beginning of Year	109,329	113,756
Net Assets at End of Year	\$ 301,643	\$ 109,329

See notes to financial statements.

See Independent Accountants' Review Report

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statement of Functional Expenses  
For The Year Ended October 31, 2016

	Conference	Focus Retreats	Eagle Commission	Fellowship Council and Committees	General Administrative	Total
Operating Expenses						
Salaries and Benefits	\$ 43,789	\$ 25,022	\$ 33,814	\$ 13,550	\$ 56,744	\$ 172,919
Office and Administration	1,321	-	914	-	40,379	42,614
Travel	4,288	1,107	21,584	13,105	21,623	61,707
Printing and Promotion	5,608	-	2,895	845	8,601	17,949
Special Events	119,780	60,449	-	50,860	211	231,300
Other	-	-	4,634	-	15,309	19,943
Total Operating Expenses	\$ 174,786	\$ 86,578	\$ 63,841	\$ 78,360	\$ 142,867	\$ 546,432

See notes to financial statements.

See Independent Accountants' Review Report

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statement of Functional Expenses  
For The Year Ended October 31, 2015

	Conference	Focus Retreats	Eagle Commission	Fellowship Council and Committees	General Administrative	Total
Operating Expenses						
Salaries and Benefits	\$ 39,023	\$ 22,299	\$ 34,011	\$ 14,000	\$ 50,732	\$ 160,065
Office and Administration	838	36	1,684	2,350	40,063	44,971
Travel	9,251	2,879	27,262	43,616	13,849	96,857
Printing and Promotion	6,979	24	1,015	114	8,638	16,770
Special Events	123,890	46,812	-	22,366	-	193,068
Other	-	-	3,646	-	46,236	49,882
Total Operating Expenses	\$ 179,981	\$ 72,050	\$ 67,618	\$ 82,446	\$ 159,518	\$ 561,613

See notes to financial statements.

THE FELLOWSHIP OF GRACE BRETHERN CHURCHES, INC.

Statements of Cash Flows  
For The Year Ended October 31,

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Total Increase (Decrease) in Net Assets	\$ 192,314	\$ (4,427)
Adjustment to Reconcile Changes in Net Assets to Net Cash Provided by Operations:		
(Increase) Decrease in Accounts Receivable	(5,566)	43
(Increase) Decrease in Other Assets	-	784
(Increase) Decrease in Prepaid Expenses	8,181	(389)
Increase (Decrease) in Accounts Payable	1,634	8,906
Increase (Decrease) in Deferred Revenue	(5,815)	120
Increase (Decrease) in Escrow Funds	(88)	88
Increase (Decrease) in Payroll Liabilities	(24)	(125)
Increase (Decrease) in Pension Liability	<u>(179)</u>	<u>(357)</u>
Net Cash Provided by Operations	190,457	4,643
Cash Flows From Investing Activities:		
Transfers to, or purchases of investments	(207,515)	-
Cash and Cash Equivalents - Beginning of Year	<u>117,191</u>	<u>112,548</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 100,133</u></u>	<u><u>\$ 117,191</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, 2016 to determine the need for any adjustments to and/or disclosures within the reviewed financial statements for the year ended October 31, 2016. 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, 2016 and 2015 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, 2016 and 2015.



FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Notes to Financial Statements

**Note E – Investments**

Investments are funds that have been invested, or earned, in the Grace Brethren Investment Foundation. Deposits are currently earning interest at a rate of 2% and is available only to individuals or organizations associated with the Grace Brethren Church.

**Note F – Deferred Revenues**

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

**Note G – 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 Lake City Bank.

	<u>10/31/16</u>	<u>10/31/15</u>
Obligation and Funded Status:		
Fair value of plan assets	\$ 6,740	\$ 1,318
Present value of benefit obligation	<u>3,662</u>	<u>3,841</u>
Funded (Unfunded) status	<u>\$ 3,078</u>	<u>\$(2,523)</u>
Donations	\$7,000	-0-
Benefits paid	\$1,072	\$ 1,072

Present value calculation based on life expectancy estimates from Social Security Agency's life expectancy calculator and a discount rate of 1.6% (rev. rul. 2016-25 table 5).

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

10/31/17	\$1,072
10/31/18	1,072
10/31/19	1,072
10/31/20	446
10/31/21 & Thereafter	<u>0</u>
Total	<u>\$3,662</u>

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Notes to Financial Statements

**Note H – 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, 2016 and 2015 were \$17,246 and \$8,592, respectively.

**Note I - Restricted Net Assets**

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

	<u>10/31/16</u>	<u>10/31/15</u>
Use Restricted	-0-	\$12,985

January 6, 2017

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

The accompanying supplementary information for the year ended October 31, 2016 and 2015 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 & Discretionary Funds**  
For The Year Ended October 31, 2016

	Conference	Focus Retreats	Fellowship Council and Committees	General Administrative	Total
<b>Revenue:</b>					
Membership Fees				\$ 211,966	\$ 211,966
Conference / Retreat Income	\$ 121,367	\$ 38,910		-	160,277
Contributions	7,000	7,652	\$ 37,931	241,315	293,898
Handbook Income	-	-	-	4,100	4,100
Other Income	250	-	1,307	-	1,557
Interest Income	-	-	-	546	546
<b>Total Revenue</b>	<b>128,617</b>	<b>46,562</b>	<b>39,238</b>	<b>457,927</b>	<b>672,344</b>
<b>Operating Expenses:</b>					
Salaries and Benefits	43,789	25,022	13,550	56,744	139,105
Office and Administration	1,321	-	-	40,379	41,700
Travel	4,288	1,107	13,105	21,623	40,123
Printing and Promotion	5,608	-	845	8,601	15,054
Special Events	119,780	60,449	50,860	211	231,300
<b>Total Operating Expenses</b>	<b>174,786</b>	<b>86,578</b>	<b>78,360</b>	<b>127,558</b>	<b>467,282</b>
<b>Total Revenue over (under) Expense</b>	<b>\$ (46,169)</b>	<b>\$ (40,016)</b>	<b>\$ (39,122)</b>	<b>\$ 330,369</b>	<b>\$ 205,062</b>

See accountants' supplementary information letter.

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statement of Functional Income and Expenses Without Eagle Commission & Discretionary Funds  
For The Year Ended October 31, 2015

	Conference	Focus Retreats	Fellowship Council and Committees	General Administrative	Total
Revenue:					
Membership Fees				\$ 196,044	\$ 196,044
Conference / Retreat Income	\$ 117,708	\$ 52,192		-	169,900
Contributions	7,200	950	\$ 30,049	45,661	83,860
Handbook Income	-	-	-	3,500	3,500
Interest Income	-	-	-	435	435
Total Revenue	124,908	53,142	30,049	245,640	453,739
Operating Expenses:					
Salaries and Benefits	39,023	22,299	14,000	50,732	126,054
Office and Administration	838	36	2,350	40,063	43,287
Travel	9,251	2,879	43,616	13,849	69,595
Printing and Promotion	6,979	24	114	8,638	15,755
Special Events	123,890	46,812	22,366	-	193,068
Total Operating Expenses	179,981	72,050	82,446	113,282	447,759
Total Revenue over (under) Expense	\$ (55,073)	\$ (18,908)	\$ (52,397)	\$ 132,358	\$ 5,980

See accountants' supplementary information letter.