



December 26, 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 financial statements of The Fellowship of Grace Brethren Churches, Inc. (a nonprofit organization), which comprise the statements of financial position as of October 31, 2017 and 2016, 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 BRETHERN CHURCHES, INC.

Statements of Financial Position

	October 31, 2017	October 31, 2016
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 197,974	\$ 100,133
Accounts Receivable - Net of Allowance	12,871	15,135
Prepaid Expenses		1,830
	<u>210,845</u>	<u>117,098</u>
Other Assets:		
GBIF Investment	236,357	207,515
	<u>236,357</u>	<u>207,515</u>
<b>TOTAL ASSETS</b>	<u>\$ 447,202</u>	<u>\$ 324,613</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable	\$ 23,529	\$ 12,101
Payroll Liabilities	1,519	1,422
Deferred Revenue	6,235	5,785
Pension Liability - Current Portion	1,072	1,072
Escrow Funds	85,649	-
	<u>118,004</u>	<u>20,380</u>
Long-Term Debt:		
Pension Liability	3,394	3,662
(Less) Current Portion	(1,072)	(1,072)
	<u>2,322</u>	<u>2,590</u>
<b>TOTAL LIABILITIES</b>	<u>120,326</u>	<u>22,970</u>
Net Assets:		
Unrestricted	<u>326,876</u>	<u>301,643</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 447,202</u>	<u>\$ 324,613</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,

	2017	2016
Change in Unrestricted Net Assets:		
Revenues and Gains:		
Membership Fees	\$ 211,303	\$ 211,966
Conference Income	76,711	121,367
Eagle Commission	71,709	59,402
Contributions	117,303	300,898
Focus Retreats	21,079	38,910
Handbook Income	3,700	4,100
Other Income	361	1,557
Investment Income	3,842	546
Net Assets Released from Use Restriction		12,985
Total Unrestricted Revenues and Gains	506,008	751,731
Expenses and Losses:		
Program		
Conference	129,230	174,786
Focus Retreats	65,051	86,578
Eagle Commission	70,856	63,841
Management and General		
Fellowship Council and Committees	88,673	78,360
General Administrative	126,965	142,867
Total Expenses	480,775	546,432
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	25,233	205,299
Change in Temporarily Restricted Net Assets:		
Contributions	-	-
Net Assets Released from Use Restrictions		(12,985)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	(12,985)
Net Assets at Beginning of Year	301,643	109,329
Net Assets at End of Year	\$ 326,876	\$ 301,643

See notes to financial statements.

## THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statement of Functional Expenses  
For The Year Ended October 31, 2017

	Conference	Focus Retreats	Eagle Commission	Fellowship Council and Committees	General Administrative	Total
Operating Expenses						
Salaries and Benefits	\$ 42,620	\$ 24,354	\$ 34,358		\$ 54,797	\$ 156,129
Office and Administration	1,500	2,343	450	288	43,528	48,109
Travel	19,985	6,267	29,364	18,317	13,041	86,974
Printing and Promotion	2,258	-	1,791	10,500	11,152	25,701
Special Events	62,867	32,087		59,568	178	154,700
Other			4,893		4,269	9,162
Total Operating Expenses	\$ 129,230	\$ 65,051	\$ 70,856	\$ 88,673	\$ 126,965	\$ 480,775

See notes to financial statements.

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

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statements of Cash Flows  
For The Year Ended October 31,

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Total Increase (Decrease) in Net Assets	\$ 25,233	\$ 192,314
Adjustment to Reconcile Changes in Net Assets to Net Cash Provided by Operations:		
(Increase) Decrease in Accounts Receivable	2,264	(5,566)
(Increase) Decrease in Other Assets		-
(Increase) Decrease in Prepaid Expenses	1,830	8,181
Increase (Decrease) in Accounts Payable	11,428	1,634
Increase (Decrease) in Deferred Revenue	450	(5,815)
Increase (Decrease) in Escrow Funds	85,649	(88)
Increase (Decrease) in Payroll Liabilities	97	(24)
Increase (Decrease) in Pension Liability	<u>(268)</u>	<u>(179)</u>
Net Cash Provided by Operations	126,683	190,457
Cash Flows From Investing Activities:		
Transfers to, or purchases of investments	(28,842)	(207,515)
Cash and Cash Equivalents - Beginning of Year	<u>100,133</u>	<u>117,191</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 197,974</u></u>	<u><u>\$ 100,133</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, 2017 to determine the need for any adjustments to and/or disclosures within the reviewed financial statements for the year ended October 31, 2017. 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, 2017 and 2016 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



# FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

## Notes to Financial Statements

ended October 31, 2017 and 2016.

### **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>10/31/17</u>	<u>10/31/16</u>
Obligation and Funded Status:		
Fair value of plan assets	\$ 2,203	\$ 6,740
Present value of benefit obligation	<u>3,394</u>	<u>3,662</u>
Funded (Unfunded) status	<u>\$(1,191)</u>	<u>\$3,078</u>
Donations	-0-	\$7,000
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 2.4% (rev. rul. 2017-21 table 5).

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

10/31/18	\$1,072
10/31/19	1,072
10/31/20	1,072
10/31/21	178
10/31/22 & Thereafter	<u>0</u>
Total	<u>\$3,394</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, 2017 and 2016 were \$14,000 and \$17,246, respectively.

December 26, 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, 2017 and 2016 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 & Designated Funds  
For The Year Ended October 31, 2017

	Conference	Focus Retreats	Fellowship Council and Committees	General Administrative	Total
Revenue:					
Membership Fees					
Conference / Retreat Income	\$ 76,711	\$ 21,079		\$ 211,303	\$ 211,303
Contributions	7,000	8,723	\$ 44,068	57,512	97,790
Handbook Income				3,700	117,303
Other Income	361				3,700
Investment Income				3,842	361
					3,842
Total Revenue	84,072	29,802	44,068	276,357	434,299
Operating Expenses:					
Salaries and Benefits	42,620	24,354		54,797	121,771
Office and Administration	1,500	2,343	288	43,528	47,659
Travel	19,985	6,267	18,317	13,041	57,610
Printing and Promotion	2,258		10,500	11,152	23,910
Special Events	62,867	32,087	59,568	178	154,700
Total Operating Expenses	129,230	65,051	88,673	122,696	405,650
Total Revenue over (under) Expense	\$ (45,158)	\$ (35,249)	\$ (44,605)	\$ 153,661	\$ 28,649

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statement of Functional Income and Expenses Without Eagle Commission & Designated Funds  
For The Year Ended October 31, 2016

	Conference	Focus Retreats	Fellowship Council and Committees	General Administrative	Total
Revenue:					
Membership Fees					
Conference / Retreat Income	\$ 121,367	\$ 38,910		\$ 211,966	\$ 211,966
Contributions	7,000	7,652	\$ 37,931	-	160,277
Handbook Income	-	-	-	241,315	293,898
Other Income	250	-	1,307	4,100	4,100
Investment Income	-	-	-	-	1,557
				546	546
Total Revenue	128,617	46,562	39,238	457,927	672,344
Operating Expenses:					
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
Total Operating Expenses	174,786	86,578	78,360	127,558	467,282
Total Revenue over (under) Expense	\$ (46,169)	\$ (40,016)	\$ (39,122)	\$ 330,369	\$ 205,062