



January 4, 2016

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, 2015 and 2014 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 BRETHREN CHURCHES, INC.

Statements of Financial Position

	October 31, 2015	October 31, 2014
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 117,191	\$ 112,548
Accounts Receivable - Net of Allowance	9,569	9,612
Prepaid Expenses	10,011	9,622
	<u>136,771</u>	<u>131,782</u>
Other Assets:		
GBIF Investment	-	784
TOTAL ASSETS	<u><u>\$ 136,771</u></u>	<u><u>\$ 132,566</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 10,467	\$ 1,561
Payroll Liabilities	1,446	1,571
Deferred Revenue	11,600	11,480
Pension Liability - Current Portion	1,072	1,072
Escrow Funds	88	-
	<u>24,673</u>	<u>15,684</u>
Long-Term Debt:		
Pension Liability	3,841	4,198
(Less) Current Portion	(1,072)	(1,072)
	<u>2,769</u>	<u>3,126</u>
TOTAL LIABILITIES	<u>27,442</u>	<u>18,810</u>
Net Assets:		
Unrestricted	96,344	97,487
Temporarily Restricted	12,985	16,269
	<u>109,329</u>	<u>113,756</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 136,771</u></u>	<u><u>\$ 132,566</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,

	<u>2015</u>	<u>2014</u>
Change in Unrestricted Net Assets:		
Revenues and Gains:		
Membership Fees	\$ 196,043	\$ 174,221
Conference Income	117,708	138,501
Eagle Commission	61,449	86,983
Contributions	112,874	89,532
Focus Retreats	52,192	60,060
Handbook Income	3,500	4,200
Other Income	-	1,403
Interest Income	435	566
Net Assets Released from Use Restriction	16,269	-
Total Unrestricted Revenues and Gains	<u>560,470</u>	<u>555,466</u>
Expenses and Losses:		
Program		
Conference	179,981	186,602
Focus Retreats	72,050	88,201
Eagle Commission	67,618	76,825
Management and General		
Fellowship Council and Committees	82,446	64,314
General Administrative	159,518	116,577
Total Expenses	<u>561,613</u>	<u>532,519</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(1,143)	22,947
Change in Temporarily Restricted Net Assets:		
Contributions	12,985	16,269
Net Assets Released from Use Restrictions	<u>(16,269)</u>	<u>-</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(3,284)	16,269
Net Assets at Beginning of Year	<u>113,756</u>	<u>74,540</u>
Net Assets at End of Year	<u><u>\$ 109,329</u></u>	<u><u>\$ 113,756</u></u>

See notes to financial statements.

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 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

THE FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Statements of Cash Flows
For The Year Ended October 31,

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Total Increase (Decrease) in Net Assets	\$ (4,427)	\$ 39,216
Adjustment to Reconcile Changes in Net Assets to Net Cash Provided by Operations:		
(Increase) Decrease in Accounts Receivable	43	3,334
(Increase) Decrease in Other Receivables	-	5,375
(Increase) Decrease in Other Assets	784	154
(Increase) Decrease in Prepaid Expenses	(389)	(3,323)
Increase (Decrease) in Accounts Payable	8,906	673
Increase (Decrease) in Deferred Revenue	120	(5,980)
Increase (Decrease) in Escrow Funds	88	(250)
Increase (Decrease) in Payroll Liabilities	(125)	335
Increase (Decrease) in Pension Liability	<u>(357)</u>	<u>(698)</u>
Net Cash Provided by Operations	4,643	38,836
Cash and Cash Equivalents - Beginning of Year	<u>112,548</u>	<u>73,712</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 117,191</u></u>	<u><u>\$ 112,548</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, 2015 to determine the need for any adjustments to and/or disclosures within the reviewed financial statements for the year ended October 31, 2015. 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, 2015 and 2014 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, 2015 and 2014.

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

Notes to Financial Statements

Note E – Deferred Revenues

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 Lake City Bank.

	<u>10/31/15</u>	<u>10/31/14</u>
Obligation and Funded Status:		
Fair value of plan assets	\$1,318	\$ 2,525
Present value of benefit obligation	<u>3,841</u>	<u>4,196</u>
Unfunded status	<u>\$(2,523)</u>	<u>\$(1,671)</u>
Donations	-0-	-0-
Benefits paid	\$1,072	\$ 1,463

Present value calculation based on life expectancy estimates from Social Security Agency's life expectancy calculator and a discount rate of 2.0% (rev. rul. 2015-21 table 5).

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

10/31/16	\$1,072
10/31/17	1,072
10/31/18	1,072
10/31/19	625
10/31/20 & Thereafter	<u>0</u>
Total	<u>\$3,841</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, 2015 and 2014 were \$8,592 and \$8,592, 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>10/31/15</u>	<u>10/31/14</u>
Use Restricted	\$12,985	\$16,269

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, 2015, these potential cancellation penalties were approximately \$96,000.



January 4, 2016

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

The accompanying supplementary information for the year ended October 31, 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.

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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, 2015

	Conference	Focus Retreats	Fellowship Council and Committees	General Administrative	Total
Revenue:					
Membership Fees					
Conference / Retreat Income	\$ 117,708	\$ 52,192		\$ 196,044	\$ 196,044
Contributions	7,200	950	30,049	45,661	169,900
Handbook Income				3,500	83,860
Interest Income				435	3,500
					435
Total Revenue	124,908	53,142	30,049	245,640	453,739
Operating Expenses:					
Salaries and Benefits					
Office and Administration	39,023	22,299	14,000	50,732	126,054
Travel	838	36	2,350	40,063	43,287
Printing and Promotion	9,251	2,879	43,616	13,849	69,595
Special Events	6,979	24	114	8,638	15,755
Other	123,890	46,812	22,366	-	193,068
	-	-	-	952	952
Total Operating Expenses	179,981	72,050	82,446	114,234	448,711
Total Revenue over (under) Expense	\$ (55,073)	\$ (18,908)	\$ (52,397)	\$ 131,406	\$ 5,028

See accountants' supplementary information letter.