

FELLOWSHIP OF GRACE  
BRETHREN CHURCHES, INC.  
(A NONPROFIT ORGANIZATION)  
Winona Lake, Indiana

FINANCIAL STATEMENTS

Year Ended October 31, 2003, and  
Ten Months Ended October 31, 2002

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To the Board of Directors  
Fellowship of Grace Brethren Churches, Inc.  
Winona Lake, Indiana

We have reviewed the accompanying statements of financial position of the Fellowship of Grace Brethren Churches, Inc. (a nonprofit organization) as of October 31, 2003 and 2002, and the related statements of activities, functional expenses, and cash flows for the year ended October 31, 2003, and the ten months ended October 31, 2002, 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 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.

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.

Based on our review, with the exception of the matter described in the preceding 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.

December 19, 2003

*Dahms & Yarian, Inc.*

## FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

STATEMENTS OF FINANCIAL POSITION  
October 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 95,181	\$ 87,019
Accounts receivable	-0-	927
Prepaid expenses	4,991	4,586
Total Current Assets	<u>\$ 100,172</u>	<u>\$ 92,532</u>
	<u>\$ 100,172</u>	<u>\$ 92,532</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Advance registration fees	\$ 4,586	\$ 380
Accrued payroll expense	1,447	661
Agency funds	28,074	28,249
Total Current Liabilities	<u>\$ 34,107</u>	<u>\$ 29,290</u>
NET ASSETS		
Unrestricted	\$ 56,065	\$ 63,242
Temporarily restricted	10,000	-0-
Total Net Assets	<u>\$ 66,065</u>	<u>\$ 63,242</u>
	<u>\$ 100,172</u>	<u>\$ 92,532</u>

See accompanying notes and accountant's report.

## FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

STATEMENTS OF ACTIVITIES  
Year ended October 31, 2003, and  
ten months ended October 31, 2002

	<u>2003</u>	<u>2002</u>
UNRESTRICTED NET ASSETS		
Revenues		
Membership fees	\$ 126,234	\$ 116,178
Conference income	117,922	80,898
Focus retreats	27,724	28,788
Contributions	46,511	23,938
Other income	4,394	7,162
Total Unrestricted Revenue	<u>\$ 322,785</u>	<u>\$ 256,964</u>
Expenses		
Program services		
Conference	\$ 165,229	\$ 104,436
Focus retreats	49,357	48,012
Supporting services		
Fellowship council		
and committees	39,163	26,158
General administrative	76,213	49,657
Total Expenses	<u>\$ 329,962</u>	<u>\$ 228,263</u>
CHANGE IN UNRESTRICTED NET ASSETS	\$ (7,177)	\$ 28,701
TEMPORARILY RESTRICTED NET ASSETS		
Contribution	<u>\$ 10,000</u>	<u>\$ -0-</u>
CHANGE IN TEMPORARILY		
RESTRICTED NET ASSETS	<u>\$ 10,000</u>	<u>\$ -0-</u>
CHANGE IN NET ASSETS	\$ 2,823	\$ 28,701
NET ASSETS, BEGINNING OF PERIOD	<u>63,242</u>	<u>34,541</u>
NET ASSETS, END OF PERIOD	<u><u>\$ 66,065</u></u>	<u><u>\$ 63,242</u></u>

See accompanying notes and accountant's report.

## FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended October 31, 2003

	CONFERENCE	FOCUS RETREATS	FELLOWSHIP COUNCIL AND COMMITTEES	OFFICE AND ADMINISTRATION	TOTAL
Speakers & honoraria	\$ 16,196	\$	\$ 1,700	\$	\$ 17,896
Salaries & benefits	29,972	15,139	18,054	29,515	92,680
Facilities & equipment	17,534	15,103		10,941	43,578
Childcare	11,584				11,584
Meals	26,826	10,561	3,882	774	42,043
Office & administration				23,618	23,618
Travel	11,111	5,241	14,649	2,720	33,721
Printing & promotion	13,758	3,313	878	8,645	26,594
Special events	30,370				30,370
Other	7,878				7,878
Total Expenses	<u>\$ 165,229</u>	<u>\$ 49,357</u>	<u>\$ 39,163</u>	<u>\$ 76,213</u>	<u>\$ 329,962</u>

See accompanying notes and accountant's report.

## FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
Ten months ended October 31, 2002

	CONFERENCE	FOCUS RETREATS	FELLOWSHIP COUNCIL AND COMMITTEES	OFFICE AND ADMINISTRATION	TOTAL
Speakers & honoraria	\$ 6,275	\$	\$ 1,700	\$	\$ 7,975
Salaries & benefits	24,547	12,355	9,495	24,175	70,572
Facilities & equipment	22,749	16,770		6,989	46,508
Childcare	10,700				10,700
Meals	13,266	12,785	3,898	376	30,325
Office & administration				14,866	14,866
Travel	2,833	4,270	11,065	2,135	20,303
Printing & promotion	13,551	1,832		1,116	16,499
Special events	1,380				1,380
Other	9,135				9,135
Total Expenses	<u>\$ 104,436</u>	<u>\$ 48,012</u>	<u>\$ 26,158</u>	<u>\$ 49,657</u>	<u>\$ 228,263</u>

See accompanying notes and accountant's report.

## FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

STATEMENTS OF CASH FLOWS  
Year ended October 31, 2003, and  
ten months ended October 31, 2002

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,823	\$ 28,701
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	927	105
Prepaid expenses	(405)	(986)
Increase (decrease) in:		
Accounts payable	-0-	(88)
Accrued payroll expense	786	549
Agency funds	(175)	523
Advance registration fees	<u>4,206</u>	<u>(1,526)</u>
Net Cash Provided by Operating Activities	\$ 8,162	\$ 27,278
CASH AT BEGINNING OF PERIOD	<u>87,019</u>	<u>59,741</u>
CASH AT END OF PERIOD	<u><u>\$ 95,181</u></u>	<u><u>\$ 87,019</u></u>

See accompanying notes and accountant's report.

FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

NOTES TO FINANCIAL STATEMENTS  
October 31, 2003 and 2002

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 membership fees and registration fees for conference 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.

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.



FELLOWSHIP OF GRACE BRETHREN CHURCHES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
October 31, 2003 and 2002

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Generally accepted accounting principles require that the cost of assets which 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.

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.

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.

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. The Organization receives approximately 240 volunteer hours per year.

NOTE C - RETIREMENT PLAN

The Organization has a defined contribution retirement plan for its full time employees. The Organization contributes a percentage of each eligible employee's salary to the plan. Contributions made during the twelve months ending October 31, 2003, and the ten months ending October 31, 2002, were \$6,240 and \$5,100, respectively.

NOTE D - CONTRACTS

The Organization has entered into contracts for the use of facilities for future conferences and retreats. If these events are cancelled, the Organization has a potential liability based on the terms of the contracts. The primary obligations relate to the sites for future national conferences. These sites are typically reserved two years in advance and, although there are no funds deposited, there are significant penalties for cancellation. As of October 31, 2003 and 2002, these potential cancellation penalties were approximately \$90,100 and \$125,250, respectively.