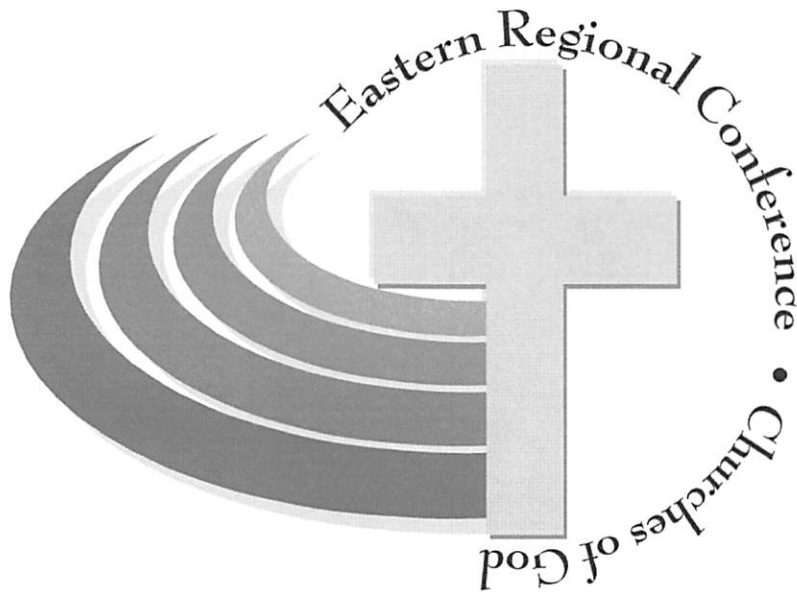


Reviewed
Financial
Statements

December 31,
2018



CONTENTS

	PAGE
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1 - 2
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS	3
NOTES TO FINANCIAL STATEMENT	4 - 8
SUPPLEMENTARY INFORMATION Summary of Net Assets	9 - 11



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Administrative Council
Eastern Regional Conference of
the Churches of God
Harrisburg, Pennsylvania

We have reviewed the accompanying statement of assets, liabilities, and net assets - modified cash basis of the Eastern Regional Conference of the Churches of God (a nonprofit organization) as of December 31, 2018, and the related notes to the statement of assets, liabilities, and net assets - modified cash basis. 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 statement of assets, liabilities, and net assets - modified cash basis as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the statement of assets, liabilities, and net assets - modified cash basis in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a statement of assets, liabilities, and net assets - modified cash basis that is free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement 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 statement for it to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, except for the issue noted in the Known Departure from Modified Cash Basis Accounting paragraph, we are not aware of any material modifications that should be made to the accompanying statement of assets, liabilities and net assets - modified cash basis in order for it to be in accordance with the modified cash basis of accounting.

Known Departure from Modified Cash Basis of Accounting

As disclosed in Note 1 to the statement of assets, liabilities, and net assets - modified cash basis, under the modified cash basis of accounting, expenses are not accrued. If the benefits payable, account payable – vendors, and vocations escrow payable had not been accrued, net assets would be increased by \$ 121,431.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The statement of assets, liabilities, and net assets - modified cash basis has been prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended December 31, 2018, the Conference adopted new accounting guidance, Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*.

Supplementary Information

The accompanying summary of net assets is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any form of assurance on it.

Smith Elliott Keenon & Company, LLC

Chambersburg, Pennsylvania
March 22, 2019

THE EASTERN REGIONAL CONFERENCE OF THE CHURCHES OF GOD
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
December 31, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 655,085
Investments, at fair value	333,923
Total current assets	<u>989,008</u>

Property and Equipment

Property and equipment	57,094
Less accumulated depreciation	44,653
Net property and equipment	<u>12,441</u>

Other Assets

Non-current investments	<u>499,920</u>
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Total assets	<u>\$ 1,501,369</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Payroll taxes withheld	\$ 3,081
Benefits payable	19,367
Accounts payable - vendors	1,101
Current vocations escrow payable	3,027
Total current liabilities	<u>26,576</u>

Long-Term Liabilities

Vocations escrow payable - long-term portion	<u>97,936</u>
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Total liabilities	<u>124,512</u>
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Net Assets

Without donor restrictions	620,418
With donor restrictions	756,439
Total net assets	<u>1,376,857</u>

Total liabilities and net assets	<u>\$ 1,501,369</u>
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THE EASTERN REGIONAL CONFERENCE OF THE CHURCHES OF GOD
Notes to Financial Statement
December 31, 2018

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Eastern Regional Conference of the Churches of God (The Conference) is a non-profit organization affiliated with the Churches of God, General Conference headquartered in Findlay, Ohio. It oversees the collection of donations and tithes from various affiliated churches and sees that these funds are used for their intended purposes. It also assists in the building of churches through the Home Mission Council, Inc. and makes loans to individuals and affiliated churches for various purposes.

Basis of Accounting

The Conference's policy is to prepare its financial statement on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Because of this, receivables and payables (except for income earned in donor restricted funds and distributable to various church related organizations as specified by the donors as well as the Vocations Escrow Payable and the Conference's employer-funded medical reimbursement plan benefits payable), which may be material in amount, are not presented.

Donor Restrictions

The Conference 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 time restriction ends, or a purpose restriction is accomplished), those net assets with donor restrictions are reclassified as net assets without donor restrictions. Certain contributions received with donor restrictions may also be required to be held in perpetuity. The Conference reports information regarding its financial position according to two classes of net assets based on the existence or absence of donor-imposed restrictions: net assets without and with donor restrictions.

Investments

Investments are stated at fair value. Certificates of deposit are classified as "cash and cash equivalents".

Property and Equipment

Property and equipment consist of vehicles recorded at cost, which are depreciated using the straight-line method over a period of five years.

Income Taxes

The Conference is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Conference's policy is to charge penalties and interest to income tax expense as incurred. The Conference's tax positions are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed. The Conference's most significant tax position is that it is exempt from payment of federal and state income taxes. Accordingly, the Conference has not reported any income tax expense for the year ended December 31, 2018.

THE EASTERN REGIONAL CONFERENCE OF THE CHURCHES OF GOD
Notes to Financial Statement
December 31, 2018

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Conference implemented ASU 2016-14 during the year ended December 31, 2018 and adjusted the presentation in the financial statements accordingly.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through March 22, 2019, the date which the financial statement was available to be issued. There have been no events that qualify for either recognition or disclosure in the Organization's financial statements.

NOTE 2 AVAILABILITY AND LIQUIDITY

The following represents the Conference's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of assets, liabilities and net assets date. Amounts not available include net assets with restrictions. Amounts already appropriated from either the donor-restricted endowment for general expenditure within one year of the statement of assets, liabilities and net assets date have not been subtracted as unavailable.

	2018
Financial assets at year end:	
Cash and cash equivalents	\$ 655,085
Investments	<u>833,843</u>
Total financial assets	1,488,928
Less amounts not available to be used within one year:	
Net assets with donor restrictions	756,439
Conference designated assets	<u>133,233</u>
	<u>889,672</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 599,256</u>

The Conference is primarily supported by contributions without donor restrictions; however, some contributions are received with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Conference must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets with a related donor restriction may not be available for general expenditure within one year. As part of its liquidity plan, financial assets are structured to be available as general expenditures, liabilities and other obligations come due. In addition, the Conference invests excess cash in short-term investments, including certificates of deposits, equity, and debt securities. In the event of an unanticipated liquidity need, the Conference could draw upon the portion of these short-term investments that are without donor restriction.

THE EASTERN REGIONAL CONFERENCE OF THE CHURCHES OF GOD
Notes to Financial Statement
December 31, 2018

NOTE 3 INVESTMENTS

Investments consist of the following at December 31, 2018:

Cash and cash equivalents - investment portfolios	\$	57,266
Equity securities		194,137
Debt securities		578,548
Other investments		<u>3,892</u>
	\$	<u>833,843</u>

NOTE 4 FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

- **Level 1:** Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization can access at the measurement date.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- **Level 3:** Inputs that are unobservable inputs for the asset or liability.

The following is a description of the valuation methodologies used for financial instruments measured at fair value on the Conference's statement of assets, liabilities and net assets, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Cash

The carrying amount for cash represents fair value.

Equity Securities

Valued at the closing price reported on the active market on which the individual securities are traded.

THE EASTERN REGIONAL CONFERENCE OF THE CHURCHES OF GOD
Notes to Financial Statement
December 31, 2018

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Debt securities and Other Investments

Fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow.

At December 31, 2018, the Conference had no liabilities subject to fair value reporting requirements. The table below summarizes assets at December 31, 2018 measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total Fair Value Measurements
Cash equivalents	\$ 57,266	\$ -	\$ -	\$ 57,266
Equity securities	194,137	-	-	194,137
Debt securities	-	578,548	-	578,548
Other investments	-	3,892	-	3,892
	<u>\$ 251,403</u>	<u>\$ 582,440</u>	<u>\$ -</u>	<u>\$ 833,843</u>

NOTE 5 PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	Depreciated Cost
Vehicles	\$ 57,094	\$ 44,653	\$ 12,441
Total	<u>\$ 57,094</u>	<u>\$ 44,653</u>	<u>\$ 12,441</u>

NOTE 6 BENEFITS PAYABLE

The Conference has established a qualified small employer health reimbursement arrangement (QSE HRA) which allowed them to reimburse their employees tax-free for their medical expenses up to their plan limits. The Conference will reimburse up to \$4,950 for an individual or \$10,000 for a family annually as part of the plan. Unused portion of the allowance will be carried to the next plan period. As of December 31, 2018, the Conference has a liability for the unused portion of the HRA plan in the amount of \$19,367.

NOTE 7 VOCATIONS ESCROW PAYABLE

The Conference has established a program to help fund tuition for students who attend their seminary. The Conference pays for 50% of the tuition up front, and the other 50% is reimbursable to the student upon completion of schooling and three years of service with the Churches of God after graduation. The Vocations Escrow Payable has been established in order to record a liability for the tuition reimbursements that the Conference expects to pay to seminary graduates upon the completion of their service requirement. As of December 31, 2018, there was \$ 100,963 in the Vocations Escrow Payable account.

THE EASTERN REGIONAL CONFERENCE OF THE CHURCHES OF GOD
Notes to Financial Statement
December 31, 2018

NOTE 8 OFF BALANCE SHEET RISK

The Conference maintains its cash in bank deposit accounts at various financial institutions. At times, the balances in these accounts may exceed federally insured limits, which management considers to be a normal business risk.

NOTE 9 NET ASSETS WITHOUT DONOR RESTRICTIONS – CONFERENCE DESIGNATED

Included within net assets without donor restrictions are \$ 133,233 of net assets with conference designation at December 31, 2018. These conference designated net assets are funds that have been designated by the Administrative Council for various programs conducted by the Conference.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows as of December 31, 2018:

Subject to time and purpose	\$ 256,519
Subject to endowment spending policy and perpetual in nature	<u>499,920</u>
	<u>\$ 756,439</u>

SUPPLEMENTARY INFORMATION

THE EASTERN REGIONAL CONFERENCE OF THE CHURCHES OF GOD
Summary of Net Assets
Year Ended December 31, 2018

		Balance 12/31/2017	Income	Tithes	Expenses	Year-End Adjustments	Year-End Reclassifications	Balance 12/31/2018
Without Donor Restrictions								
Church & Pastor	3020- 02	\$ 5,581	\$ 4,067	\$ 109,003	\$ (89,038)	\$ -	\$ (29,613)	\$ -
Church Health Balance	3030- 01	-	3,039	80,306	(52,267)	-	(31,078)	-
Church & Pastor - Contingency	3030- 03	-	-	-	-	-	-	-
Church Vocations	3040- 04	-	-	-	-	-	-	-
Pastoral Family Health Balance	3050- 01	-	7,763	44,711	(36,801)	-	(11,090)	4,583
Support Ministries	3070- 07	-	9,042	326,138	(290,816)	-	(44,364)	-
Support Ministries - Human Resources	3060- 06	-	-	-	(1,021)	-	-	(1,021)
Discipleship	3103- 101	-	-	-	-	-	-	-
Evangelism	3100- 10	-	-	-	-	-	-	-
Growing Healthy Churches	3115- 20	172,551	-	-	(24,100)	-	(10,000)	138,451
Leadership Task Force Fund	3108- 81	-	-	-	-	-	-	-
Seed Fund Renewal	3180- 87	53,257	4,700	-	-	-	-	57,957
Miscellaneous Account (Exchange)	3090- 09	2,167	-	-	(154)	-	-	2,013
Missions Commission	3035- 77	-	-	-	-	-	-	-
Renewal	3105- 82	-	-	-	-	-	-	-
Staff Development and Training	3075- 12	-	-	-	-	-	-	-
Stewardship & Finance	3110- 11	-	-	-	-	-	-	-
Student Aid - PTI	3116- 00	2,848	200	-	-	-	-	3,048
Ministry Training Institute	3118- 00	-	51,771	-	(32,380)	-	-	19,391
Unrestricted Fund	3000- 00	174,162	-	-	-	10,905	77,696	262,763
Total without donor restrictions		\$ 410,566	\$ 80,582	\$ 560,158	\$ (526,577)	\$ 10,905	\$ (48,449)	\$ 487,185

THE EASTERN REGIONAL CONFERENCE OF THE CHURCHES OF GOD
Summary of Net Assets (Continued)
Year Ended December 31, 2018

Conference Designated	3140-14	3145-00	3080-08	3150-15	3154-19	3160-16	3165-00	3120-15	3134-85	3125-00	3250-25	3156-00	3158-00	3210-64	3190-79	3230-23	3195-80
Auto Replacement Fund	12,494	(327)	8,608	31,566	-	175	566	11,887	5,992	4,786	-	69	2,650	-	56,171	55,556	22,357
Bus Trips	-	6,791	3,961	106,487	-	1,482	4,192	59,915	38,705	-	-	-	-	6,835	1,651	9,041	-
Interest Fund	-	(6,575)	(672)	198,743	-	-	(2,403)	-	10,226	-	-	-	-	23,624	-	-	-
Church Planting	-	(6,575)	(672)	198,743	-	-	(2,403)	-	10,226	-	-	-	-	23,624	-	-	-
Church Planting Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Church Planting Account	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,672)	(5,913)	(18,603)	(1,440)
CM Honorarium Account	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,787)	(5,913)	(18,603)	(1,440)
Encouragement Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,787)	(5,913)	(18,603)	(1,440)
ERC/CGGC Conference Sessions Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,787)	(5,913)	(18,603)	(1,440)
FUSE Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,787)	(5,913)	(18,603)	(1,440)
General Conference Escrow Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,787)	(5,913)	(18,603)	(1,440)
Generosity Ministries	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,787)	(5,913)	(18,603)	(1,440)
Lumen Church Plant Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,787)	(5,913)	(18,603)	(1,440)
Disability	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,787)	(5,913)	(18,603)	(1,440)
Sacred Retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,787)	(5,913)	(18,603)	(1,440)
Vocation Escrow Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,787)	(5,913)	(18,603)	(1,440)
Widows Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,787)	(5,913)	(18,603)	(1,440)
Total conference designated	212,550	239,060	232,593	(535,358)	(30,793)	15,181	20,917	174,944	5,000	12,314	(111)	47,637	2,355	(75,665)	38,645	4,786	69
Total conference designated without donor restrictions and conference designated	623,116	319,642	792,751	(1,061,935)	(19,888)	(33,268)	620,418	5,000	12,314	(111)	47,637	2,355	(75,665)	38,645	4,786	69	20,917

THE EASTERN REGIONAL CONFERENCE OF THE CHURCHES OF GOD
Summary of Net Assets (Continued)
Year Ended December 31, 2018

		Balance 12/31/2017	Income	Tithes	Expenses	Year-End Adjustments	Year-End Reclassifications	Balance 12/31/2018
With Donor Restrictions - Time and Purpose								
Chubb, Alfred Fund	3400- 40	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4
Daubert Estate Fund	3287- 86	10,227	-	-	-	-	-	10,227
Discipleship - Haiti Journey Balance	3335 00	3,837	500	-	-	-	(3,550)	787
Frye, Walter & Mary	3327- 02	1,127	-	-	(33)	-	-	1,094
Hershey, Harvey	3280- 46	275	-	-	-	-	-	275
Hospitalization	3148- 29	20,316	142,315	-	(154,463)	-	22,000	30,168
Mutual Beneficial Society	3300- 30	-	-	-	-	-	-	-
Powell, William I. Memorial	3310- 67	3,094	-	-	-	-	-	3,094
Wenger Fund	3285- 84	172,404	-	-	-	-	-	172,404
Youth & Family Life Designated Sturr/Wil	3330- 33	37,576	-	-	(250)	1,140	-	38,466
		<u>248,860</u>	<u>142,815</u>	<u>-</u>	<u>(154,746)</u>	<u>1,140</u>	<u>18,450</u>	<u>256,519</u>
Total with donor restrictions - temporary								
With Donor Restrictions - Endowment Spending Policy and Perpetual in Nature								
Brightbill, H. L. & Maggie	3370- 37	10,000	-	-	-	-	-	10,000
Brightbill, Maggie	3380- 38	5,000	-	-	-	-	-	5,000
East PA Mission Fund	3410- 41	10,483	-	-	-	-	-	10,483
EPA Women's Missionary Society	3420- 42	4,084	-	-	-	-	-	4,084
Felty, John S. & Wife	3430- 43	7,500	-	-	-	-	-	7,500
Frye, Walter & Mary	3440- 44	10,000	-	-	-	-	-	10,000
Hershey, Harvey	3460- 46	152,416	-	-	-	-	-	152,416
Hostetter, A. J.	3480- 48	5,729	-	-	-	-	-	5,729
Hoverter, George	3500- 50	1,136	-	-	-	-	-	1,136
Kennedy, Katherine	3510- 51	1,000	-	-	-	-	-	1,000
Lauver, Paul	3545- 83	84,979	-	-	-	-	-	84,979
Ott, Rebecca	3620- 62	3,000	-	-	-	-	-	3,000
Pastoral Care Fund	3640- 64	170,000	-	-	(12,168)	-	-	157,832
Permanent Foreign Mission Fund	3650- 65	3,114	-	-	-	-	-	3,114
Powell, William I. Memorial	3670- 67	4,151	-	-	-	-	-	4,151
Reinhard, Sue	3680- 68	1,000	-	-	-	-	-	1,000
Ritter, Annie	3690- 69	37,496	-	-	-	-	-	37,496
Simonetti, J.	3710- 71	1,000	-	-	-	-	-	1,000
		<u>512,088</u>	<u>-</u>	<u>-</u>	<u>(12,168)</u>	<u>-</u>	<u>-</u>	<u>499,920</u>
Total with donor restrictions - permanent								
Total Net Assets		\$ 1,384,064	\$ 462,457	\$ 792,751	\$ (1,228,849)	\$ (18,748)	\$ (14,818)	\$ 1,376,857