

SOVEREIGN GRACE CHURCHES, INC.

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED AUGUST 31, 2018 AND 2017

Sovereign Grace Churches, Inc.

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Audited Financial Statements	
Statements of Financial Position	3 - 4
Statements of Activities and Changes in Net Assets	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 15
Supplementary Information	
Independent Auditor's Report on Supplementary Information	16
Schedules of Revenues and Expenses	17 - 18



Independent Auditor's Report

Executive Committee of the Council of Elders
Sovereign Grace Churches, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of **Sovereign Grace Churches, Inc.** (a nonprofit organization), which comprise the Statements of Financial Position as of August 31, 2018 and 2017, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

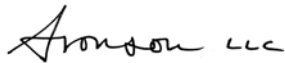
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Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Sovereign Grace Churches, Inc.** as of August 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Rockville, Maryland
January 8, 2019

Sovereign Grace Churches, Inc.

Statements of Financial Position

<i>August 31,</i>	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 759,878	\$ 847,672
Investments	1,024,571	456,259
Accounts receivable - trade	114,047	94,811
Prepaid expenses	42,075	56,749
Inventory	114,803	139,825
Total current assets	2,055,374	1,595,316
Property and equipment		
Buildings	2,090,932	2,074,230
Furniture, fixtures and equipment	601,187	604,628
Total	2,692,119	2,678,858
Less: Accumulated depreciation and amortization	(1,422,549)	(1,378,912)
Net property and equipment	1,269,570	1,299,946
Other assets		
Restricted cash	-	100,089
Deposits and other assets	10,191	23,040
Total other assets	10,191	123,129
Total assets	\$ 3,335,135	\$ 3,018,391

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Churches, Inc.

Statements of Financial Position (continued)

<i>August 31,</i>	2018	2017
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 86,569	\$ 100,357
Deferred revenue	74,723	110,607
Total current liabilities	161,292	210,964
Deferred rent	28,368	16,679
Total liabilities	189,660	227,643
Unrestricted net assets		
Board designated	165,000	-
Undesignated	2,366,987	2,433,092
Total unrestricted net assets	2,531,987	2,433,092
Temporarily restricted net assets	613,488	357,656
Total net assets	3,145,475	2,790,748
Total liabilities and net assets	\$ 3,335,135	\$ 3,018,391

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Churches, Inc.

Statement of Activities and Changes in Net Assets

Year Ended August 31, 2018

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions - churches	\$ 1,691,370	\$ 263,013	\$ 1,954,383
Contributions - other	462,489	-	462,489
Music and book sales	276,576	-	276,576
Music and book royalties	273,502	-	273,502
Tuition and fees	79,450	-	79,450
Conference receipts	132,493	-	132,493
Investment income	14,699	-	14,699
Other income	247,866	-	247,866
Total	3,178,445	263,013	3,441,458
Net assets released from restrictions	7,181	(7,181)	-
Total support and revenue	3,185,626	255,832	3,441,458
Expenses:			
Program services			
U.S. church missions	1,178,420	-	1,178,420
Global church missions	340,342	-	340,342
Pastoral training	400,161	-	400,161
Conferences	243,481	-	243,481
Ministry resources	471,879	-	471,879
Total program services	2,634,283	-	2,634,283
Supporting services			
Fundraising	44,327	-	44,327
General and administrative	408,121	-	408,121
Total supporting services	452,448	-	452,448
Total expenses	3,086,731	-	3,086,731
Change in net assets	98,895	255,832	354,727
Net assets, beginning of year	2,433,092	357,656	2,790,748
Net assets, end of year	\$ 2,531,987	\$ 613,488	\$ 3,145,475

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Churches, Inc.

Statement of Activities and Changes in Net Assets

Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions - churches	\$ 1,480,144	\$ 191,861	\$ 1,672,005
Contributions - other	346,614	7,181	353,795
Music and book sales	235,387	-	235,387
Music and book royalties	213,357	-	213,357
Tuition and fees	88,275	-	88,275
Conference receipts	117,174	-	117,174
Investment income	18,218	-	18,218
Other income	69,034	-	69,034
Total	2,568,203	199,042	2,767,245
Net assets released from restrictions	11,606	(11,606)	-
Total support and revenue	2,579,809	187,436	2,767,245
Expenses:			
Program services			
U.S. church missions	886,217	-	886,217
Global church missions	310,879	-	310,879
Pastoral training	389,500	-	389,500
Conferences	262,558	-	262,558
Ministry resources	428,786	-	428,786
Total program services	2,277,940	-	2,277,940
Supporting services			
Fundraising	39,271	-	39,271
General and administrative	356,973	-	356,973
Total supporting services	396,244	-	396,244
Total expenses	2,674,184	-	2,674,184
Change in net assets	(94,375)	187,436	93,061
Net assets, beginning of year	2,527,467	170,220	2,697,687
Net assets, end of year	\$ 2,433,092	\$ 357,656	\$ 2,790,748

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Churches, Inc.

Statements of Cash Flows

<i>Years Ended August 31,</i>	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 354,727	\$ 93,061
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	71,952	71,235
Unrealized and realized loss (gain) on investments	699	(14,183)
(Gain) loss on disposal of property and equipment	(3,204)	15,571
(Increase) decrease in		
Accounts receivable - trade	(19,236)	(21,655)
Prepaid expenses	14,674	(18,391)
Inventory	25,022	9,239
Deposits and other assets	12,849	(9,841)
(Decrease) increase in		
Accounts payable and accrued expenses	(13,788)	(29,686)
Deferred revenue	(35,884)	47,465
Deferred rent	11,689	11,511
Net cash provided by operating activities	419,500	154,326
Cash flows from investing activities		
Purchase of investments	(2,207,467)	-
Proceeds from sales of investments	1,638,456	-
Purchase of property and equipment	(41,576)	(46,051)
Proceeds from sales of property and equipment	3,204	-
Net cash used by investing activities	(607,383)	(46,051)
Cash flow from financing activities		
Decreases (increases) in restricted cash	100,089	(20)
Net cash provided (used) by financing activities	100,089	(20)
Net change in cash and cash equivalents	(87,794)	108,255
Cash and cash equivalents at beginning of year	847,672	739,417
Cash and cash equivalents at end of year	\$ 759,878	\$ 847,672
Supplemental cash flow information		
Actual cash payments for interest	\$ -	\$ 42
Noncash investing and financing activities		
Insurance recoveries receivable for property loss	\$ -	\$ 14,802

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Churches, Inc.

Notes to Financial Statements

1. Organization and significant accounting policies

Organization: Sovereign Grace Churches, Inc. (SGC) is a Maryland nonprofit corporation, headquartered in Louisville, Kentucky. SGC is an association of churches operated exclusively for religious, charitable and educational purposes. SGC is a family of churches who partner together to advance the gospel of Jesus Christ through planting and strengthening churches, training pastors, producing resources, and engaging in missions throughout the world.

Basis of presentation: The financial statements of SGC have been prepared on the accrual basis of accounting whereby revenue and support are recognized when earned and expenses are recognized when incurred. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations. Includes undesignated net assets available for general operations and board designated net assets.

In October 2017, a Board Designated Reserve of \$250,000 was established for church planting to keep church planting a priority and to ensure plans for future church plants are not limited by an annual budget. This reserve is the funding source for church plant grants when total grants exceed the annual budget for grants in a fiscal year. For the year ended August 31, 2018, total church planting grants of \$135,000 exceeded the budget of \$50,000 by \$85,000. The reserve was reduced to \$165,000 accordingly.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that will be met either by actions of SGC and/or the passage of time. Donor-restricted contributions are classified as unrestricted contributions when restrictions are met in the same reporting period in which the contributions are received.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by SGC. There were no permanently restricted net assets as of August 31, 2018 and 2017, respectively.

Sovereign Grace Churches, Inc.

Notes to Financial Statements

Cash and cash equivalents: SGC classifies all highly liquid investments, with original maturities of less than ninety days, as cash equivalents. Cash and cash equivalents consist of demand deposit accounts and money market accounts. SGC maintains cash balances which may exceed federally insured limits. SGC does not believe that this results in any significant credit risk.

Restricted cash: SGC placed \$100,000 in a savings account with Fifth Third Bank as collateral in exchange for \$100,000 of credit in a commercial credit card purchasing program. In 2018, the cash restriction was lifted, however, SGC is required to maintain \$100,000 in collateral within their investment accounts.

Investments: Investments consist of federal government bonds and notes, mortgage backed securities, certificates of deposit, and indexed certificates of deposit which are stated at fair value. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is recorded as unrestricted income, unless restricted by donor or law.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes gains and losses on investments bought and sold as well as held during the year.

Accounts receivable: The face amount of accounts receivable is reduced by an allowance for doubtful accounts, if needed. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portion thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. Management believes that all accounts receivable are fully collectible; therefore, there is no provision for doubtful accounts in the accompanying financial statements.

Inventory: Inventory consists of books and CDs held for resale to members of related churches and the general public. Inventory is valued at the lower of cost or net realizable value, with cost determined on a weighted average basis.

Property and equipment: Property and equipment greater than \$3,000 are capitalized at original cost or estimated fair value in the case of donated assets. Depreciation is calculated on the straight-line method over estimated useful lives of three to ten years for personal property and ten to forty years for the building and improvements. Depreciation and amortization expense was \$71,952 and \$71,235 for the years ended August 31, 2018 and 2017, respectively.

Sovereign Grace Churches, Inc.

Notes to Financial Statements

SGC capitalized a payment of \$1,890,190 to Covenant Life Church, Inc. (CLC) for its right to use 17,125 square feet of buildings and improvements, located in Gaithersburg, Maryland, placed in service by CLC beginning August 1, 2002. An agreement was established between SGC and CLC under which SGC is given use of the building for successive terms of ninety-nine years and CLC provides all services, maintenance and repairs required for the upkeep of the property. SGC reimburses CLC for its share of these expenses at a mutually agreed upon rate, determined annually. The agreement contains a termination provision allowing either party to end the agreement after giving 24 months' written notice. If CLC was to terminate the agreement, the buyout shall be equal to the greater of 85% of the estimated fair market value of the premises or the original payment adjusted yearly by the annual percentage change in the Consumer Price Index. If SGC was to terminate the agreement, the buyout shall be equal to the lesser of 45% of the estimated fair market value of the premises or the original payment adjusted yearly by the annual percentage change in the Consumer Price Index. Neither CLC nor SGC have submitted written notice to terminate the agreement.

In August 2012, SGC relocated its primary offices to Louisville, Kentucky. SGC continues to maintain its interest in the building. Starting in September 2012, CLC began paying rent for use of a portion of the SGC space. The lease is operated on a month to month basis. SGC received \$19,000 and \$20,800, from CLC in rental income for the years ended August 31, 2018 and 2017, respectively.

Assets held for use: SGC evaluates long-lived assets held for use for impairment based upon comparison of the undiscounted future net cash flows for the asset to the net book value when an indicator of impairment is observed. These evaluations for impairment are significantly impacted by estimates of revenue, costs and expenses, sales rates and other factors. If the net book value is greater than the future undiscounted cash flow, SGC records an impairment adjustment to reduce its asset cost basis to its fair value.

During the years ended August 31, 2018 and 2017, SGC recorded no impairment adjustments on assets held for use.

Deferred revenue: Consists of conference registration receipts and pastors college tuition received in advance.

Deferred rent: SGC recognizes the minimum non-contingent rents required under operating leases as rent expenses on a straight-line basis over the life of the lease, with differences between amounts recognized as expense and the amounts actually paid recorded as deferred rent on the accompanying Statements of Financial Position.

Sovereign Grace Churches, Inc.

Notes to Financial Statements

Revenue recognition:

Contributions – SGC recognizes all contributions, including unconditional promises to give, as support in the period pledged or received. Contributions restricted as to their use are recognized as temporarily restricted revenue until these funds have been disbursed or committed as the donor intended.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Music and book sales – Sale of books and CDs are recorded as revenue at the time the item is shipped or downloaded.

Music and book royalties – Revenue is recognized based on the contract terms.

Tuition and fees – Amounts received as tuition for the upcoming school year are recognized as revenue ratably over the school year.

Conference receipts – Amounts received as registration for future events are recognized as revenue when the event occurs.

Other revenue – Consists mostly of conference administrative services and rental fees. All are recognized when the services are performed or when earned.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Included in general and administrative expense for 2018 and 2017 was \$55,158 of depreciation expense for the Gaithersburg, Maryland facility.

Income taxes: SGC is a nonprofit organization that is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC), and is classified as an organization which is not a private foundation.

SGC evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of August 31, 2018 and 2017, there are no accruals for uncertain tax positions. If applicable, SGC records interest and penalties as a component of income tax expense. Tax years from 2015 through the current year remain open for examination by tax authorities.

Sovereign Grace Churches, Inc.

Notes to Financial Statements

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification: Certain reclassifications have been made to prior year's presentation to conform to the current year presentation. Certain grant expenditures were reclassified between U.S. Church Missions and Global Church Missions programs, and Education and training and Travel and hospitality expenditures have been combined into one expense category named Travel and training.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through January 8, 2019, which is the date the financial statements were available to be issued.

2. Investments

Investments are presented in the financial statements at fair market value. The following is a summary of the investments as of August 31:

	2018	2017
Federal government bonds and notes	\$ 792,404	\$ -
Mortgage backed securities	232,167	-
Certificates of deposit	-	314,236
Indexed certificates of deposit	-	142,023
Total	\$ 1,024,571	\$ 456,259

Investment income for the years ended August 31, consisted of the following:

	2018	2017
Interest and dividends	\$ 15,398	\$ 4,035
Unrealized and realized (loss) gain	(699)	14,183
Total	\$ 14,699	\$ 18,218

3. Fair value

SGC values its investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Sovereign Grace Churches, Inc.

Notes to Financial Statements

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used at August 31, 2018 and 2017.

The fair value of investments as of August 31, is as follows:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	No Quoted Prices In Active Markets nor Observable Inputs (Level 3)
August 31, 2018	Total			
Federal government bonds and notes	\$ 792,404	\$ -	\$ 792,404	\$ -
Mortgage backed securities	232,167	-	232,167	-
Total	\$ 1,024,571	\$ -	\$ 1,024,571	\$ -

August 31, 2017

Certificates of deposit	\$ 314,236	\$ -	\$ 314,236	\$ -
Indexed certificates of deposit	142,023	-	142,023	-
Total	\$ 456,259	\$ -	\$ 456,259	\$ -

Level 2 values for federal government bonds and notes, and mortgage backed securities, were developed utilizing fluctuations in the attached indices or basket funds from the inception date to the maturity date. Values for certificates of deposit were developed utilizing the current interest rates with similar time to maturity, discounting the future payments to present value at year end. Indexed certificates of deposit values were developed utilizing fluctuations in the attached indices or basket funds from the instrument's inception date to the maturity date.

Sovereign Grace Churches, Inc.

Notes to Financial Statements

4. Operating lease

SGC entered into a commercial lease for 11,313 square feet of office space at 303 N. Hurstbourne Pkwy, Suite 160, Louisville, Kentucky, 40222. The date of occupancy was October 3, 2013. The lease expired on July 31, 2017. The agreement included two months of rent abatement. A liability was accrued such that the rent expense was recognized on a straight-line basis over the life of the agreement. Rent expense under the lease agreement was \$140,661 for the year ended August 31, 2017.

SGC entered into a commercial lease for 7,619 square feet of office space at 10509 Timberwood Circle, Louisville, Kentucky. The date of occupancy was July 10, 2017. The lease expires on October 31, 2022. The agreement included three months of rent abatement. A liability was accrued such that the rent expense was recognized on a straight-line basis over the life of the agreement. Rent expense under the lease agreement was \$117,082 and \$16,679 for the years ended August 31, 2018 and 2017, respectively.

The following is a schedule of future minimum lease payments:

Year ending August 31,

2019	\$	120,063
2020		122,488
2021		124,926
2022		127,428
2023		21,308
Total	\$	516,213

5. Temporarily restricted net assets

Temporarily restricted net assets were available for the following purposes as of August 31:

		2018		2017
U.S. church regions	\$	613,488	\$	350,475
Hurricane Harvey Relief Fund		-		7,181
Total temporarily restricted net assets	\$	613,488	\$	357,656

Sovereign Grace Churches, Inc.

Notes to Financial Statements

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows for the years ended August 31:

	2018	2017
U.S. church regions	\$ 468,345	\$ 388,101
Hurricane Harvey Relief Fund	87,523	1,875
Total release of restrictions	555,868	389,976
Less: Amounts received and released in the same fiscal year	(548,687)	(378,370)
Total releases presented on the Statements of Activities and Changes in Net Assets	\$ 7,181	\$ 11,606

6. Retirement plan

SGC maintains a retirement plan that is qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees. SGC will match each participant's salary deferred contribution to the plan based upon a formula outlined in the plan document, up to a maximum employer contribution of 3% of compensation. Employees vest immediately in all employer contributions to the plan. Retirement plan expense for the years ended August 31, 2018 and 2017 was \$17,234 and \$16,718, respectively.

For the pastoral staff who are not participating in the social security system, SGC also provides an amount equal to what would have been the normal employer Social Security and Medicare contribution (currently 7.65% of salary), which is then to be used to purchase any combination of life insurance, disability insurance, and retirement investments. SGC paid \$29,159 and \$28,390 for the years ended August 31, 2018 and 2017, respectively.

7. Concentration of revenue

For the years ended August 31, 2018 and 2017, contributions from one church comprised 9% and 11% of total revenue, respectively.



Independent Auditor's Report on Supplementary Information

Executive Committee of the Council of Elders
Sovereign Grace Churches, Inc.
Louisville, Kentucky

We have audited the financial statements of **Sovereign Grace Churches, Inc.** as of and for the years ended August 31, 2018 and 2017, and our report thereon dated January 8, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Revenues and Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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Rockville, Maryland
January 8, 2019

Sovereign Grace Churches, Inc.

Schedule of Revenues and Expenses

Year Ended August 31, 2018

	Program Services						Supporting Services			Total
	U.S. Church Missions	Global Church Missions	Pastoral Training	Conferences	Ministry Resources	Total	Fundraising	General and Administrative	Total	
Revenues										
Contributions - churches	\$ 709,440	\$ -	\$ -	\$ -	\$ -	\$ 709,440	\$ 1,244,943	\$ -	\$ 1,244,943	\$ 1,954,383
Contributions - other	153,155	16,925	-	-	-	170,080	292,409	-	292,409	462,489
Music and book sales	693	-	-	-	275,883	276,576	-	-	-	276,576
Music and book royalties	-	-	-	-	273,502	273,502	-	-	-	273,502
Tuition and fees	-	-	79,450	-	-	79,450	-	-	-	79,450
Conference receipts	-	-	-	121,329	11,164	132,493	-	-	-	132,493
Investment income	-	-	-	-	-	-	-	14,699	14,699	14,699
Other income	-	-	130	203,978	8,523	212,631	-	35,235	35,235	247,866
Total revenues	863,288	16,925	79,580	325,307	569,072	1,854,172	1,537,352	49,934	1,587,286	3,441,458
Expenses										
Compensation and benefits	458,692	110,449	247,601	133,383	243,769	1,193,894	-	217,872	217,872	1,411,766
Cost of goods sold	-	-	-	-	94,996	94,996	-	-	-	94,996
Gifts and grants	453,383	122,661	6,097	5,997	5,230	593,368	500	1,687	2,187	595,555
Travel and training	235,581	93,093	46,292	55,451	12,007	442,424	-	24,022	24,022	466,446
Office expense	8,552	383	5,455	6,453	2,039	22,882	15,635	13,355	28,990	51,872
Insurance	-	5,373	-	-	3,326	8,699	-	19,972	19,972	28,671
Promotion	-	-	-	-	18,983	18,983	5,525	-	5,525	24,508
Information technology	9,531	-	634	874	15,429	26,468	16,522	31,529	48,051	74,519
Sound, video, and lighting	-	-	-	21,226	2,712	23,938	-	-	-	23,938
Building occupancy	808	-	63,524	516	26,455	91,303	-	36,971	36,971	128,274
Other expense	7,200	2,154	3,909	6,609	26,956	46,828	6,145	61,261	67,406	114,234
Depreciation and amortization	-	-	3,531	518	3,035	7,084	-	64,868	64,868	71,952
Allocation - general expenses	4,673	6,229	23,118	12,454	16,942	63,416	-	(63,416)	(63,416)	-
Total expenses	1,178,420	340,342	400,161	243,481	471,879	2,634,283	44,327	408,121	452,448	3,086,731
Excess of revenue over expense										
(expenses over revenue)	\$ (315,132)	\$ (323,417)	\$ (320,581)	\$ 81,826	\$ 97,193	\$ (780,111)	\$ 1,493,025	\$ (358,187)	\$ 1,134,838	\$ 354,727

See Independent Auditor's Report on Supplementary Information.

Sovereign Grace Churches, Inc.

Schedule of Revenues and Expenses

Year Ended August 31, 2017

	Program Services						Supporting Services			
	U.S. Church Missions	Global Church Missions	Pastoral Training	Conferences	Ministry Resources	Total	Fundraising	General and Administrative	Total	Total
Revenues										
Contributions - churches	\$ 550,442	\$ -	\$ -	\$ -	\$ -	\$ 550,442	\$ 1,121,563	\$ -	\$ 1,121,563	\$ 1,672,005
Contributions - other	26,969	8,891	-	-	-	35,860	317,935	-	317,935	353,795
Music and book sales	413	-	-	-	234,974	235,387	-	-	-	235,387
Music and book royalties	-	-	-	-	213,357	213,357	-	-	-	213,357
Tuition and fees	-	-	88,275	-	-	88,275	-	-	-	88,275
Conference receipts	-	-	-	106,505	10,669	117,174	-	-	-	117,174
Investment income	-	-	-	-	-	-	-	18,218	18,218	18,218
Other income	-	-	200	31,844	470	32,514	-	36,520	36,520	69,034
Total revenues	577,824	8,891	88,475	138,349	459,470	1,273,009	1,439,498	54,738	1,494,236	2,767,245
Expenses										
Compensation and benefits	441,218	96,562	237,426	149,780	220,533	1,145,519	-	198,995	198,995	1,344,514
Cost of goods sold	-	-	-	-	86,856	86,856	-	-	-	86,856
Gifts and grants	223,664	122,548	3,927	11,744	7,499	369,382	767	378	1,145	370,527
Travel and training	184,674	66,907	44,405	55,420	7,525	358,931	-	21,338	21,338	380,269
Office expense	7,997	67	4,586	7,395	815	20,860	18,141	14,482	32,623	53,483
Insurance	-	3,134	-	-	3,326	6,460	-	19,997	19,997	26,457
Promotion	-	-	-	-	17,345	17,345	6,364	-	6,364	23,709
Information technology	5,379	-	630	909	9,197	16,115	7,416	37,309	44,725	60,840
Sound, video, and lighting	1,143	-	-	-	248	1,391	133	-	133	1,524
Building occupancy	660	-	48,911	3,220	15,622	68,413	-	97,072	97,072	165,485
Interest expense	-	-	-	-	-	-	-	-	-	-
Other expense	6,044	8,000	2,228	4,675	21,023	41,970	6,450	40,865	47,315	89,285
Depreciation and amortization	-	-	759	-	3,341	4,100	-	67,135	67,135	71,235
Allocation - General expenses	15,438	13,661	46,628	29,415	35,456	140,598	-	(140,598)	(140,598)	-
Total expenses	886,217	310,879	389,500	262,558	428,786	2,277,940	39,271	356,973	396,244	2,674,184
Excess of revenue over expense (expenses over revenue)	\$ (308,393)	\$ (301,988)	\$ (301,025)	\$ (124,209)	\$ 30,684	\$ (1,004,931)	\$ 1,400,227	\$ (302,235)	\$ 1,097,992	\$ 93,061

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