



Batts Morrison  
Wales & Lee

CERTIFIED PUBLIC ACCOUNTANTS

# Evangelical Presbyterian Church Benefits Plan

Financial Statements

For The Years Ended June 30, 2023 and 2022



Batts Morrison  
Wales & Lee

CERTIFIED PUBLIC ACCOUNTANTS®

## REPORT OF INDEPENDENT AUDITOR

The Board of Directors and Plan Participants  
EPC Benefit Resources, Inc.  
Evangelical Presbyterian Church Benefits Plan  
Orlando, Florida

### ***Opinion***

We have audited the accompanying financial statements of Evangelical Presbyterian Church Benefits Plan (“the Plan”), which consist of the statements of net assets available for benefits and the statements of benefit obligations as of June 30, 2023 and 2022, and the related statements of changes in net assets available for benefits and statements of changes in benefit obligations for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits and benefit obligations of Evangelical Presbyterian Church Benefits Plan as of June 30, 2023 and 2022, and the changes in its net assets available for benefits and changes in its benefit obligations for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Evangelical Presbyterian Church Benefits Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan’s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments; administering the Plan; and determining that the Plan’s transactions that are presented and disclosed in the financial statements are in conformity with the Plan’s provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

### ***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

---

Batts Morrison Wales & Lee, P.A. • Certified Public Accountants

Offices | Orlando • Dallas  
800.960.0803 • [www.NonprofitCPA.com](http://www.NonprofitCPA.com)  
Keeping Watch for Nonprofits Across the United States®

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governances regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Batts Morrison Wales & Lee, P.A.*

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida  
May 15, 2024

**EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN**  
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	June 30,	
	2023	2022
<b>ASSETS</b>		
Cash	\$ 1,136,225	\$ 893,851
Investments		
Money market and similar funds	169,646	545,233
Common and preferred stocks	3,321,933	2,776,348
Fixed income securities	3,437,012	3,469,356
Total investments	6,928,591	6,790,937
Receivables and other assets	3,052	305,058
<b>Total assets</b>	<b>8,067,868</b>	<b>7,989,846</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	200,067	34,294
Net excess contributions received from participating churches	149,209	147,668
<b>Total liabilities</b>	<b>349,276</b>	<b>181,962</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$ 7,718,592</b>	<b>\$ 7,807,884</b>

The Accompanying Notes are an Integral  
Part of These Financial Statements

**EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN**  
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

	For The Years Ended	
	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
<b>ADDITIONS TO NET ASSETS ATTRIBUTED TO</b>		
Investment income (loss), net		
Net appreciation (depreciation) in estimated fair value of investments	\$ 242,595	\$ (700,844)
Dividend and interest income	<u>181,707</u>	<u>167,008</u>
Total investment income (loss), net	424,302	(533,836)
Premiums from participating churches	<u>17,018,870</u>	<u>17,147,658</u>
<b>Total additions</b>	<b><u>17,443,172</u></b>	<b><u>16,613,822</u></b>
<b>DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO</b>		
Claims and premium expenses	15,960,515	15,912,513
Administrative expenses and other	<u>1,571,949</u>	<u>1,385,703</u>
<b>Total deductions</b>	<b><u>17,532,464</u></b>	<b><u>17,298,216</u></b>
<b>NET DECREASE IN NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>(89,292)</b>	<b>(684,394)</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS - Beginning of year</b>	<b><u>7,807,884</u></b>	<b><u>8,492,278</u></b>
<b>NET ASSETS AVAILABLE FOR BENEFITS - End of year</b>	<b><u>\$ 7,718,592</u></b>	<b><u>\$ 7,807,884</u></b>

The Accompanying Notes are an Integral  
Part of These Financial Statements

**EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN**  
STATEMENTS OF BENEFIT OBLIGATIONS

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
<b>AMOUNTS CURRENTLY PAYABLE</b>		
Claims payable and incurred but not reported	<u>\$ 1,780,214</u>	<u>\$ 1,527,000</u>
<b>Total amounts currently payable</b>	<u><b>1,780,214</b></u>	<u><b>1,527,000</b></u>
<b>TOTAL BENEFIT OBLIGATIONS</b>	<u><b>\$ 1,780,214</b></u>	<u><b>\$ 1,527,000</b></u>

The Accompanying Notes are an Integral  
Part of These Financial Statements

**EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN**  
**STATEMENTS OF CHANGES IN BENEFIT OBLIGATIONS**

	For The Years Ended	
	June 30,	
	2023	2022
<b>AMOUNTS CURRENTLY PAYABLE</b>		
Balance, beginning of year	\$ 1,527,000	\$ 1,171,000
Claims and premiums incurred	16,714,775	16,219,446
Claims and insurance premiums paid	(16,461,561)	(15,863,446)
<b>Balance, end of year</b>	<b>1,780,214</b>	<b>1,527,000</b>
<b>TOTAL BENEFIT OBLIGATIONS - End of year</b>	<b>\$ 1,780,214</b>	<b>\$ 1,527,000</b>

The Accompanying Notes are an Integral  
Part of These Financial Statements

**EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN**  
NOTES TO FINANCIAL STATEMENTS

**NOTE A – DESCRIPTION OF PLAN**

The following description of the Evangelical Presbyterian Church Benefits Plan (“the Plan”) provides only general information. Participants of the Plan should refer to the Plan documents for a more complete description of the Plan’s provisions.

**General**

The Plan is a defined benefit plan of the Evangelical Presbyterian Church (“the Church”) which covers member churches’ full-time employees, certain religious minister order staff, clergy, and their families. Certain retired employees are entitled to medical benefits under the Plan if they have attained at least age 59 ½ (and are not Medicare eligible), served at least five years in a Church presbytery-approved ministry, and make the required monthly premium contributions.

The Plan is a church plan as defined in the Internal Revenue Code Section 414(e). As a result, the Plan is not subject to the provisions of Employee Retirement Income Security Act of 1974 (“ERISA”) and is exempt from filing Form 5500 with the Internal Revenue Service (“IRS”) annually.

The Plan administrator and trustee of the Plan is EPC Benefit Resources, Inc. (“BRI”), a subsidiary of the Church.

**Benefits**

The Plan consists primarily of a self-insured group medical plan providing health and prescription drug benefits. In addition to health and prescription drug benefits, the Plan also provides the following insurance programs available to eligible participants: term life insurance, accidental death and dismemberment insurance, long-term disability insurance, vision insurance, and dental insurance. The Plan fully insures all of the benefits, excluding the health and prescription drug benefits (the Plan holds stop-loss insurance contracts for these benefits). Premiums for insured benefits are collected by the Plan from member churches.

The claims for self-insured health and prescription benefits are processed by the Plan’s third-party claims processors under administrative services-only arrangements. The claims processors pay claims directly to or on behalf of participants and are then reimbursed by the Plan. The prescription benefits claims processor acts as the pharmacy benefit manager (“PBM”) of the Plan. The PBM periodically makes refunds to the Plan based on the Plan’s actual utilization of specific drugs.

The Plan also provides a health savings account arrangement (“HSA”) for high-deductible health plans through a third-party administrator that is funded solely through participant and member church contributions. The HSA allows eligible participants to be reimbursed for qualified medical expenses subject to a specified ceiling.

**Stop-Loss Coverage**

The Plan has entered into stop-loss insurance arrangements in an effort to limit its exposure for self-insurance benefits (individual participant claims over a specific dollar amount, as well as its aggregate exposure for all claims). The specific stop-loss coverage begins when claims reach \$525,000 per covered participant.

**Premium revenue**

The Plan is fully-funded from premiums charged to participants and member churches at rates determined by the Board of Directors of BRI with the advice of an actuary.

**Basis of accounting**

The Plan’s financial statements have been prepared on the accrual basis of accounting.

**Cash and cash equivalents**

The Plan considers all investment instruments purchased with original maturities of three months or less to be cash equivalents.



**EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN**  
NOTES TO FINANCIAL STATEMENTS

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Investment valuation and income recognition**

The Plan's investments are stated at their estimated fair value. See Note D for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net depreciation and appreciation in estimated fair value of investments includes the Plan's gains and losses on investments bought and sold as well as held during the year.

**Allowance for doubtful accounts**

Receivables are stated net of an allowance for doubtful accounts, if any. The Plan estimates the allowance for doubtful accounts based on an analysis of specific accounts, taking into consideration the age of the past due account and assessment of ability to pay. Accounts are considered past due when payments are not made in accordance with specified terms. Accounts are written off upon management's determination that the accounts are uncollectible.

**Net excess contributions received from participating churches**

Net excess contributions received from participating churches consists of premiums and other fees received in advance of their recognition as revenue.

**Use of estimates**

The Plan uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to claims payable and incurred but not reported and the estimated fair value of investments. Actual results could differ from the estimates.

**Deposits**

A certain third-party claims processor of the Plan required a deposit based on the amount of average claims payable. The total deposit held with this third-party claims processor is approximately \$173,000 as of June 30, 2022 and is included in "receivables and other assets" in the accompanying statements of net assets available for benefits. Due to a change in the third-party claims processor of the Plan, this deposit is no longer required as of June 30, 2023.

**Payment of benefits**

Claim payments are recorded when submitted to the Plan by the third-party claims processors for reimbursement. Amounts due to the claims processor that have yet to be reimbursed by the Plan are included in "claims payable and incurred but not reported" in the accompanying statements of benefit obligations. Premium payments for insured benefits and claim payments are recorded in the accompanying statements of changes in net assets available for benefits as "claims and premium expenses."

**Stop-Loss**

Premiums for stop-loss insurance are included in the accompanying statements of changes in net assets available for benefits as "claims and premium expenses." Stop-loss refunds of \$0 and approximately \$521,000 have been netted with claims and premium expenses for the years ended June 30, 2023 and 2022, respectively.

**Refunds and rebates**

Refunds and rebates due from the Plan's PBM are recorded when earned. There were no refunds and rebates due to the Plan as of June 30, 2023 and 2022.

**Administrative expenses**

The Plan pays administrative expenses that consist primarily of administrative fees paid to the Church pursuant to a shared services agreement and to various service providers. These expenses are reported in the accompanying statements of changes in net assets available for benefits as "administrative expenses and other." Any administrative expenses not paid by the Plan are paid by the Church on behalf of the Plan and reimbursed by the Plan to the Church.

**EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN**  
NOTES TO FINANCIAL STATEMENTS

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Claims incurred but not reported**

Plan obligations at June 30, 2023 and 2022 for health and pharmacy claims incurred by participants but not reported at that date are estimated by the Plan's actuary in accordance with accepted actuarial principles based on claims data provided by the Plan's third-party claims processors. These amounts are paid by the Plan only if claims are submitted and approved for payment.

**Subsequent events**

The Plan has evaluated for possible financial reporting and disclosure subsequent events through the date of the report of independent auditor, the date as of which the financial statements were available to be issued.

**NOTE C – CONCENTRATION OF CREDIT RISK**

The Plan maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Plan has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

**NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Plan's investments (including gains and losses on investments bought, sold, and held during the year and net of investment expenses) appreciated in value by \$242,595 during the year ended June 30, 2023 and depreciated in value by \$700,844 during the year ended June 30, 2022.

The Plan's investments are reported at estimated fair value in the accompanying statements of net assets available for benefits. The methods used to measure fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the estimated fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The valuation methodologies used in the accompanying financial statements were consistently applied during the years ended June 30, 2023 and 2022.

Accounting principles generally accepted in the United States ("GAAP") define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" the Plan may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, the Plan is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). 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.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

**EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN**  
NOTES TO FINANCIAL STATEMENTS

**NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Estimated fair value of investments measured on a recurring basis as of June 30, 2023, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common and preferred stocks	\$ 3,321,933	\$ 3,321,933	\$ —	\$ —
Fixed income securities	<u>3,437,012</u>	<u>3,437,012</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 6,758,945</u>	<u>\$ 6,758,945</u>	<u>\$ —</u>	<u>\$ —</u>

Estimated fair value of investments measured on a recurring basis as of June 30, 2022, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common and preferred stocks	\$ 2,776,348	\$ 2,776,348	\$ —	\$ —
Fixed income securities	<u>3,469,356</u>	<u>3,469,356</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 6,245,704</u>	<u>\$ 6,245,704</u>	<u>\$ —</u>	<u>\$ —</u>

**NOTE E – RELATED PARTY TRANSACTIONS**

Administrative services reimbursed to the Church for Plan administrative expenses or for services performed by Church employees on behalf of the Plan amounted to approximately \$472,000 and \$442,000 during the years ended June 30, 2023 and 2022, respectively, and are reported as “administrative expenses and other” in the accompanying statements of changes in net assets available for benefits.

Approximately \$82,000 and \$34,000 as of June 30, 2023 and 2022, respectively, are due to the Church and are included in “accounts payable and accrued expenses” in the accompanying statements of net assets available for benefits.

**NOTE F – PLAN TERMINATION**

Although it has not expressed any intent to do so, the Plan sponsor has the right to discontinue contributions, modify the benefits provided to participants, and modify the contributions required from participants at any time and terminate the Plan, subject to the terms of the Plan documents. In the event of termination, remaining assets will be applied in a uniform and nondiscriminatory manner toward the provision of benefits on account of the participants.

**NOTE G – TAX STATUS**

The Plan was amended and restated effective January 1, 2017 and the Church believes that the Plan qualifies pursuant to the applicable sections of the Internal Revenue Code and operates as designed per the Plan documents.

**NOTE H – RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

**EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN**  
NOTES TO FINANCIAL STATEMENTS

**NOTE H – RISKS AND UNCERTAINTIES (Continued)**

The estimate for claims incurred but not reported is based on certain assumptions pertaining to health care trend dates, claim lag, and historical claims data. Due to the uncertainties inherent in the estimates and assumptions utilized, it is at least reasonably possible that changes in the estimates and assumptions in the near term could be material to the accompanying financial statements.