



EVANGELICAL PRESBYTERIAN CHURCH
403(B) DEFINED CONTRIBUTION
RETIREMENT PLAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
EPC Benefit Resources, Inc.
Evangelical Presbyterian Church 403(b) Defined Contribution Retirement Plan
Orlando, Florida

We have audited the accompanying financial statements of Evangelical Presbyterian Church 403(b) Defined Contribution Retirement Plan ("the Plan"), which consists of the statement of net assets available for benefits (modified cash basis) as of June 30, 2018, and the related statement of changes in net assets available for benefits (modified cash basis) for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Plan management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 audit. We conducted our audit 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 Plan'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 Plan'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Evangelical Presbyterian Church 403(b) Defined Contribution Retirement Plan (modified cash basis) as of June 30, 2018, and the changes in net assets available for benefits (modified cash basis) for the year ended June 30, 2018, in accordance with the modified cash basis of accounting described in Note B.

Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on 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 opinion is not modified with respect to this matter.

Battis Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida
May 6, 2019

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**EVANGELICAL PRESBYTERIAN CHURCH 403(b) DEFINED CONTRIBUTION
RETIREMENT PLAN**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (MODIFIED CASH BASIS)

June 30, 2018

ASSETS

CASH	\$	168,268
INVESTMENTS, at estimated fair value		<u>131,611,118</u>
NET ASSETS AVAILABLE FOR BENEFITS		<u>\$ 131,779,386</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

**EVANGELICAL PRESBYTERIAN CHURCH 403(b) DEFINED CONTRIBUTION
RETIREMENT PLAN**
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (MODIFIED CASH BASIS)
For The Year Ended June 30, 2018

ADDITIONS TO NET ASSETS ATTRIBUTED TO

Investment income	
Dividend and interest income	\$ 3,974,744
Net appreciation in estimated fair value of investments	<u>9,225,084</u>
Total investment income	<u>13,199,828</u>
Contributions	
Church employer contributions	7,701,704
Employee contributions	1,894,218
Rollover and other	<u>300,086</u>
Total contributions	<u>9,896,008</u>
Total additions	<u>23,095,836</u>

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO

Benefits paid to participants	5,328,622
Administrative expenses	<u>376,643</u>
Total deductions	<u>5,705,265</u>

NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	17,390,571
NET ASSETS AVAILABLE FOR BENEFITS - Beginning of year	<u>114,388,815</u>
NET ASSETS AVAILABLE FOR BENEFITS - End of year	<u>\$ 131,779,386</u>

**EVANGELICAL PRESBYTERIAN CHURCH 403(b) DEFINED CONTRIBUTION
RETIREMENT PLAN**
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A – DESCRIPTION OF PLAN

The following description of the Evangelical Presbyterian Church 403(b) Defined Contribution Retirement Plan (“the Plan”) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan’s provisions.

General

The Plan is a 403(b) defined contribution plan which is sponsored by the Evangelical Presbyterian Church (“the Plan Sponsor”). The Plan administrator is EPC Benefit Resources, Inc. (“BRI”). Member churches and organizations of the Evangelical Presbyterian Church (individually and collectively referred to as “the Employer”) may adopt the Plan. Employees of the Employer may make elective deferrals up to the maximum annual deferral limit determined by the Internal Revenue Service (“IRS”). The Plan is a church plan as defined in section 414(e) of the Internal Revenue Code. As a result, the Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”) and is exempt from filing Form 5500 with the Internal Revenue Service (“IRS”) annually.

Eligibility

The Plan is available to any employee of the Employer. Any employee will be eligible to become a participant in the Plan on the date the employee meets the Employer’s eligibility conditions set forth in its individual adoption agreement or in such other written document as may be permitted by the Plan Sponsor.

Contributions

Under the terms of the Plan, contributions are outlined as follows:

Employee contributions – Employee contributions are not required, however, Plan participants may make elective deferral contributions to the Plan consisting of a portion of the participant’s compensation on a pre-tax or after-tax Roth basis, limited to the maximum annual deferral limit determined by the IRS. The Plan allows participants to contribute amounts representing rollover distributions from other qualified plans.

Employer contributions – The Employer may make contributions as set forth in its individual adoption agreement or in such other written document as may be permitted by BRI and has complete discretion to determine the amount it will contribute. The Employer is required to make a contribution of not less than 10% of base salary plus housing allowance for ordained pastors.

Neither the Plan Sponsor nor BRI is required to determine if the Employer has made a contribution or if the amount contributed is in accordance with the resolutions or other Employer action in the adoption of this Plan. The Employer shall have sole responsibility in this regard.

Transfers from other qualified plans

Participants that have an interest in other qualified plans, as described in the Internal Revenue Code, may transfer their interest into the Plan if they have satisfied the conditions for participation.

Participant accounts

Each participant’s account is credited with the participant’s contribution, employer contributions (if any), plan earnings, and charged with a direct allocation of administrative expenses. Allocations are based on participant compensation or account balances, as defined in the Plan document. Participant benefits are limited to the benefits that can be provided from the participant’s vested account balance.

Vesting

Participants are 100% vested in employee, employer, and rollover contributions.

**EVANGELICAL PRESBYTERIAN CHURCH 403(b) DEFINED CONTRIBUTION
RETIREMENT PLAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – DESCRIPTION OF PLAN (Continued)

Payment of benefits

Upon termination of service, the achievement of early retirement age, or normal retirement age (age 59 ½), a participant may request distribution of their retirement account. Participants may receive the value of his or her account in a lump-sum amount, in installment payments over a specified period of time, or in various life annuities as defined in the Plan document. Participants may also withdraw amounts from their retirement account by reason of financial hardship under specific guidelines set forth in the Plan document.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Plan's financial statements have been prepared on the modified cash basis of accounting. That basis differs from generally accepted accounting principles ("GAAP") primarily in the following respects:

- Revenues are recognized when received rather than when earned; and
- Expenses are recognized when paid rather than when the obligation is incurred.

Investment valuation and income recognition

The Plan's investments consist of various mutual funds and money market accounts which are stated at estimated fair value based on quoted market prices in active markets. See Note D for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income and dividends are recorded when received. Net 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.

Payment of benefits

Benefit payments are recorded when paid.

Administrative expenses

Certain expenses paid in connection with general administration of the Plan are paid by the Plan and are recorded in the accompanying statement of changes in net assets available for benefits (modified cash basis) as administrative expenses. Certain other expenses related to the Plan are paid by the Employer and are not included in the accompanying financial statements.

Use of estimates

The Plan uses estimates and assumptions in preparing modified cash basis financial statements. Those estimates and assumptions affect the reported amounts of assets, the disclosure of contingent assets and liabilities, and reported additions and deductions. Significant estimates used in preparing these financial statements include those related to the estimated fair value of investments. Actual results could differ from the estimates.

Subsequent events

The Plan has evaluated for possible financial reporting and disclosure subsequent events through May 6, 2019, the date as of which the financial statements were available to be issued.

NOTE C – INVESTMENTS

The Plan invests in various mutual funds and money market accounts. The Plan's third party record keeping organization ("the Record Keeper") processes and invests the assets of the Plan at the direction of the Plan

**EVANGELICAL PRESBYTERIAN CHURCH 403(b) DEFINED CONTRIBUTION
RETIREMENT PLAN**
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE C - INVESTMENTS (Continued)

participants, as defined by the retirement services agreement. The Record Keeper values the funds daily, allocates the increment since the last valuation among the participants, and makes disbursements to participants and beneficiaries of the Plan at the direction of the Plan participants.

During the year ended June 30, 2018, the Plan's mutual fund investments (including gains and losses on investments bought, sold, and held during the year), which are all participant-directed, appreciated in value by \$9,225,084. The value of the Plan's money market funds does not appreciate or depreciate and remains constant at \$1 per share.

NOTE D - FAIR VALUE MEASUREMENTS

The Plan's investments are reported at estimated fair value in the accompanying statement of net assets available for benefits. The methods used to measure fair value may produce an amount 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 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 year ended June 30, 2018. The accompanying financial statements are prepared on the modified cash basis of accounting.

Generally, footnote disclosures under a modified cash basis presentation should be similar, when possible, to those required under GAAP. Accordingly, the Plan has included the fair value measurement disclosures required by GAAP.

GAAP defines 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" an organization 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, an organization 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

The Plan's money market funds, self-directed brokerage account funds, and mutual funds are valued at the daily closing price as reported by the fund and the mutual funds are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The money market funds, self-directed brokerage account funds, and mutual funds held by the Plan are deemed to be actively traded.

**EVANGELICAL PRESBYTERIAN CHURCH 403(b) DEFINED CONTRIBUTION
RETIREMENT PLAN**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

Estimated fair value of investments measured on a recurring basis as of June 30, 2018, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 5,099,605	\$ 5,099,605	\$ —	\$ —
Self-directed brokerage account funds	3,908,231	3,908,231	—	—
Mutual funds	<u>122,603,282</u>	<u>122,603,282</u>	<u>—</u>	<u>—</u>
 Total investments at estimated fair value	 <u>\$ 131,611,118</u>	 <u>\$ 131,611,118</u>	 <u>\$ —</u>	 <u>\$ —</u>

NOTE E – PLAN TERMINATION

Although it has not expressed any intent to do so, BRI has the right under the Plan document to terminate the Plan at any time, subject to the prior approval of the General Assembly of the Plan Sponsor. In the event of a plan termination, amounts maintained in participant accounts shall remain to be used by BRI to pay benefits to or on behalf of the affected participants. Alternatively, BRI can also use the balance remaining in each participant's account to purchase an annuity as defined in the Internal Revenue Code Section 403(b) for the benefit of the participant or to require payment of all benefits under this Plan in the form of lump sum distributions. An adopting Employer may terminate participation in this Plan in accordance with rules and procedures defined by the Plan.

NOTE F – TAX STATUS

The Plan was amended and restated effective January 1, 2017. BRI and the Plan Sponsor believe that the Plan qualifies pursuant to the applicable sections of the Internal Revenue Code and operates as designed per the Plan agreement.

NOTE G – 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 participants' account balances and the amounts reported in the statement of net assets available for benefits (modified cash basis).