



EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES

COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020





REPORT OF INDEPENDENT AUDITOR

The Boards of Directors
Evangelical Presbyterian Church and Affiliates
Orlando, Florida

We have audited the accompanying combined financial statements of Evangelical Presbyterian Church and Affiliates (collectively referred to herein as "EPC"), which consist of the combined statements of financial position as of June 30, 2021 and 2020, the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to EPC's preparation and fair presentation of the combined 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 EPC'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Evangelical Presbyterian Church and Affiliates as of June 30, 2021 and 2020, the combined changes in its net assets, and its combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Battis Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida
June 9, 2022

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EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 5,052,531	\$ 4,186,672
Investments	12,491,720	10,917,308
Investments designated for long-term purposes	50,000	50,000
Receivables, net	62,444	447,019
Other assets	630,090	777,738
Total assets	\$ 18,286,785	\$ 16,378,737

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 972,544	\$ 681,656
Claims payable	1,171,000	925,000
Total liabilities	2,143,544	1,606,656

NET ASSETS

Without donor restrictions		
Undesignated	2,308,534	1,838,876
Designated	9,511,099	9,170,659
Total without donor restrictions	11,819,633	11,009,535
With donor restrictions	4,323,608	3,762,546
Total net assets	16,143,241	14,772,081
Total liabilities and net assets	\$ 18,286,785	\$ 16,378,737

EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES
COMBINED STATEMENTS OF ACTIVITIES

	For The Year Ended June 30, 2021			For The Year Ended June 30, 2020
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Premiums from participating churches	\$ 17,518,413	\$ —	\$ 17,518,413	\$ 18,262,527
Contributions with donor restrictions	—	6,452,218	6,452,218	7,005,686
Contributions without donor restrictions	1,754,025	—	1,754,025	1,443,929
Grant revenue	—	—	—	511,228
Investment income	1,494,514	—	1,494,514	403,769
Other revenue	193,151	—	193,151	59,494
Actuarial (loss) gain on self-funded health insurance liability and termination of postretirement benefit	(246,000)	—	(246,000)	580,996
Net assets released from restrictions	<u>5,891,156</u>	<u>(5,891,156)</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>26,605,259</u>	<u>561,062</u>	<u>27,166,321</u>	<u>28,267,629</u>
EXPENSES				
Program activities				
Premiums and medical claims	16,922,041	—	16,922,041	16,229,701
Church program expenses	<u>6,368,603</u>	<u>—</u>	<u>6,368,603</u>	<u>6,593,008</u>
Total program activities	<u>23,290,644</u>	<u>—</u>	<u>23,290,644</u>	<u>22,822,709</u>
Supporting activities				
General and administrative	2,183,275	—	2,183,275	2,432,315
Fundraising	<u>321,242</u>	<u>—</u>	<u>321,242</u>	<u>352,956</u>
Total supporting activities	<u>2,504,517</u>	<u>—</u>	<u>2,504,517</u>	<u>2,785,271</u>
Total expenses	<u>25,795,161</u>	<u>—</u>	<u>25,795,161</u>	<u>25,607,980</u>
Change in net assets without donor restrictions	810,098	—	810,098	2,145,051
Change in net assets with donor restrictions	<u>—</u>	<u>561,062</u>	<u>561,062</u>	<u>514,598</u>
CHANGE IN NET ASSETS	810,098	561,062	1,371,160	2,659,649
NET ASSETS - Beginning of year	<u>11,009,535</u>	<u>3,762,546</u>	<u>14,772,081</u>	<u>12,112,432</u>
NET ASSETS - End of year	<u>\$ 11,819,633</u>	<u>\$ 4,323,608</u>	<u>\$ 16,143,241</u>	<u>\$ 14,772,081</u>

The Accompanying Notes are an Integral
Part of These Combined Financial Statements

EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS

	For The Years Ended	
	June 30,	
	2021	2020
OPERATING CASH FLOWS		
Cash received from participating churches	\$ 17,902,988	\$ 18,267,715
Cash received from contributors	8,206,243	8,449,615
Cash received from other sources	193,151	59,494
Investment income	267,299	281,664
Cash paid for operating activities and costs	<u>(25,356,625)</u>	<u>(25,523,177)</u>
Net operating cash flows	<u>1,213,056</u>	<u>1,535,311</u>
INVESTING CASH FLOWS		
Net purchases of investments	<u>(347,197)</u>	<u>(442,373)</u>
Net investing cash flows	<u>(347,197)</u>	<u>(442,373)</u>
FINANCING CASH FLOWS		
Borrowings	<u>—</u>	<u>511,228</u>
Net financing cash flows	<u>—</u>	<u>511,228</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	865,859	1,604,166
CASH AND CASH EQUIVALENTS - Beginning of year	<u>4,186,672</u>	<u>2,582,506</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 5,052,531</u>	<u>\$ 4,186,672</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO		
OPERATING CASH FLOWS		
Change in net assets	\$ 1,371,160	\$ 2,659,649
Adjustments to reconcile change in net assets to net operating cash flows		
Conversion of notes payable to grant revenue	—	(511,228)
Net investment gain	(1,227,215)	(122,105)
Change in receivables, net	384,575	5,188
Change in other assets	147,648	47,729
Change in accounts payable and accrued expenses	290,888	37,074
Change in claims payable	246,000	(291,000)
Termination of postretirement benefit	<u>—</u>	<u>(289,996)</u>
Net operating cash flows	<u>\$ 1,213,056</u>	<u>\$ 1,535,311</u>

SUPPLEMENTAL DISCLOSURE

During the year ended June 30, 2020, \$511,228 of principal reductions of certain notes payable are included in "grant revenue" in the accompanying combined statement of activities. See Note H.

EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Evangelical Presbyterian Church (“the Church”) is a not-for-profit Michigan corporation established in 1980. The purpose of the Church is to carry out the Great Commission of Jesus as a denomination of Presbyterian, Reformed, Evangelical, and Missional congregations. To the glory of God, the Church aspires to embody and proclaim Jesus’ love as a global movement of congregations engaged together in God’s mission through transformation, multiplication, and effective biblical leadership. The Church also conducts a world missions program with a priority on sending missionaries to unreached people groups. The Church consists of more than 630 member churches with nearly 122,000 members. As part of its support of the member churches, the Church administers designated funds, provides a medical insurance program that is available to employees of member churches and their families and provides a retirement plan that is available to any employees of member churches. The ongoing work of the Church is carried out by the Office of General Assembly (“the General Assembly”) and staff of each ministry. The General Assembly appoints the Board of Directors of the Church.

In conformity with accounting principles generally accepted in the United States of America (“GAAP”), the combined financial statements of the Church include the accounts of the following organizations, which are separate legal entities. All significant inter-organization accounts and transactions have been eliminated in combination.

- EPC Benefit Resources, Inc. (“BRI”) is a not-for-profit Michigan corporation established in 2016. The purpose of BRI is to support the mission and operations of the Church and its associated churches and organizations by providing benefit plans exclusively for eligible individuals and employees (and their dependents). BRI is the plan administrator and trustee of the Evangelical Presbyterian Church Benefits Plan (“the Plan”), as well as the plan administrator of the Evangelical Presbyterian Church 403(b) Defined Contribution Retirement Plan (“the Retirement Plan”). The General Assembly appoints the Board of Directors of BRI.
- The Church is the sole member of a certain LLC (“the LLC”). This separate legal entity was established in 2015 to carry on specific work in various countries where the use of a separate entity provides practical or legal advantages. For security purposes, the name of this entity is not specifically disclosed in these notes. The General Assembly appoints the Board of Directors of the LLC.

References to “EPC” in these footnotes include each of the organizations described above.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Premiums from participating churches are reported at the amount that reflects the consideration to which BRI expects to be entitled for providing a self-insured group medical plan providing health and prescription drug benefits and other fully-insured benefits. Such amounts are generally due from participants and member churches. Generally, BRI invoices such participants and member churches throughout the year as services are provided. Revenue is recognized in the period the related services are provided.

Performance obligations are determined based on the nature of the services provided by BRI. BRI measures the performance obligation for premiums from participating churches when a participant or member church is enrolled in the plans, to the point when BRI is no longer required to provide such services, which is generally at the completion of the period of coverage. BRI determines the transaction prices based on agreed-upon rate agreements and contract terms as determined by the Board of Directors of BRI with the advice of an actuary.

EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

EPC recognizes cash contributions as revenue when the contributions are received by EPC. Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as “net assets released from restrictions.”

All contributions are received as donations to EPC and not to specific individuals. Contributions which donors request to be used to support the ministry activities of specific missionaries are under the full control of EPC. In order to conservatively account for such contributions, EPC recognizes them as with donor restrictions until they are expended for appropriate ministry purposes.

Cash and cash equivalents

Investments purchased or donated with original maturities of three months or less are considered to be cash equivalents. As of June 30, 2021 and 2020, cash and cash equivalents includes approximately \$1,410,000 and \$1,494,000, respectively, held as trustee for the Evangelical Presbyterian Church Benefits Plan.

Investments

Investments consist of marketable securities and are carried at estimated fair value.

Investments designated for long-term purposes

Investments designated for long-term purposes consist of a Board designated endowment, the earnings from which are for the financial needs of ministers, missionaries, and other full-time Christian workers.

Allowance for doubtful accounts

Receivables are stated net of an allowance for doubtful accounts, if any. EPC 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 the 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 assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. From time to time, the Board of Directors may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management’s discretion. The Board of Directors has designated a portion of net assets without donor restrictions for various purposes as described in Note K. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions.

Income taxes

The Church and BRI are exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law and are further classified as public charities and not private foundations for federal tax purposes. The LLC is considered a disregarded entity for income tax purposes. None of the organizations have incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying combined financial statements.

Use of estimates

Management uses estimates and assumptions in preparing combined 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 combined financial statements include those used in estimating the fair value of investments and claims payable. Actual results could differ from the estimates.

EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting pronouncement

Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606) is effective for EPC’s combined financial statements for the year ended June 30, 2021. The ASU generally applies to organizations that enter into contracts with customers to transfer goods or services and establishes a performance obligation to revenue recognition. The adoption of the ASU had no effect on the combined net assets as of July 1, 2019, or the combined change in net assets for the years ended June 30, 2021 and 2020.

Economic uncertainties

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). Management is closely monitoring the potential impact of the pandemic on EPC’s financial condition and has taken actions to mitigate its impact. Such actions include availing EPC of relief measures available under federal law. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity.

Subsequent events

EPC has evaluated for possible financial statement reporting and disclosure subsequent events through June 9, 2022, the date as of which the combined financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the combined statements of financial position are as follows:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets available:		
Cash and cash equivalents	\$ 5,052,531	\$ 4,186,672
Investments	12,491,720	10,917,308
Investments designated for long-term purposes	50,000	50,000
Receivables, net	<u>62,444</u>	<u>447,019</u>
Total financial assets available within one year	17,656,695	15,600,999
Less amounts unavailable for general expenditure within one year due to amounts held for:		
Medical insurance fund	(8,735,101)	(7,849,722)
Board designations	(1,663,196)	(1,411,018)
Donor restrictions	<u>(1,031,275)</u>	<u>(1,271,860)</u>
Net financial assets available within one year	<u>\$ 6,227,123</u>	<u>\$ 5,068,399</u>

EPC is primarily supported by premiums from participating churches and contributions. As part of EPC’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Boards of Directors have designated certain amounts for various purposes of EPC as described in Note K. Because of the nature of the designations, certain of these amounts are not available for general expenditure within the next year; however, the Boards of Directors could make them available, if necessary. EPC has certain assets limited to use by donors. Because a donor’s restriction requires resources to be used in a specific manner or in a future period, EPC must maintain sufficient resources to meet its responsibilities to its donors. Thus, those financial assets are not available for general expenditure within one year of the combined statements of financial position and are excluded from net financial assets available to meet general expenditures within one year.

EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE C - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

EPC also has certain donor-restricted net assets that are available for general expenditures within one year of the combined statements of financial position because the restrictions on the net assets are expected to be met by conducting the normal activities of EPC's programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. Management believes EPC has sufficient liquid assets for general operations that may be drawn upon in the event of an unanticipated financial distress or an immediate liquidity need.

NOTE D - CONCENTRATION OF CREDIT RISK

EPC 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. EPC 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 E - INVESTMENTS AND INVESTMENTS DESIGNATED FOR LONG-TERM PURPOSES

EPC holds investments of various types, both as trustee or custodian and as owner. Investments are carried at estimated fair value. Investments were held for the following purposes or activities:

<u>Category</u>	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Held as trustee for the Evangelical Presbyterian Church Benefits Plan	\$ 7,324,773	\$ 6,355,312
Held for donor restricted purposes (EPC missionaries)	2,513,424	2,307,268
Held for general operations	2,127,011	1,820,159
Held for board designated medical benevolence fund	498,217	418,735
Held for board designated endowment	<u>78,295</u>	<u>65,834</u>
Total investments	<u>\$ 12,541,720</u>	<u>\$ 10,967,308</u>

Investments consisted of the following:

<u>Category</u>	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Money market and similar funds	\$ 708,344	\$ 1,279,117
Common and preferred stock	4,580,455	3,565,242
Mutual funds and exchange-traded funds	2,826,273	2,686,361
Corporate bonds	2,683,567	2,180,068
Government securities and other	<u>1,743,081</u>	<u>1,256,520</u>
Total investments	<u>\$ 12,541,720</u>	<u>\$ 10,967,308</u>

EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE F – FAIR VALUE MEASUREMENTS

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).

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

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.

The estimated fair value of certain assets measured on a recurring basis at June 30, 2021 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common and preferred stock	\$ 4,580,455	\$ 4,580,455	\$ —	\$ —
Mutual funds and exchange-traded funds	2,826,273	2,826,273	—	—
Corporate bonds	2,683,567	2,683,567	—	—
Government securities and other	<u>1,743,081</u>	<u>1,743,081</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 11,833,376</u>	<u>\$ 11,833,376</u>	<u>\$ —</u>	<u>\$ —</u>

The estimated fair value of certain assets measured on a recurring basis at June 30, 2020 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common and preferred stock	\$ 3,565,242	\$ 3,565,242	\$ —	\$ —
Mutual funds and exchange-traded funds	2,686,361	2,686,361	—	—
Corporate bonds	2,180,068	2,180,068	—	—
Government securities and other	<u>1,256,520</u>	<u>1,256,520</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 9,688,191</u>	<u>\$ 9,688,191</u>	<u>\$ —</u>	<u>\$ —</u>

EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE G – OTHER ASSETS

Other assets consisted of the following:

Category	June 30.	
	2021	2020
Notes receivable from churches	\$ 318,380	\$ 403,980
Depository account for medical claims	176,140	175,096
Copyrights and other amortized assets, net	65,132	82,832
Furniture, fixtures, and equipment, net	34,409	44,357
Inventory	19,188	30,185
Prepaid expenses	16,841	41,288
Total other assets	\$ 630,090	\$ 777,738

NOTE H – PAYCHECK PROTECTION PROGRAM

During the year ended June 30, 2020, EPC obtained two Paycheck Protection Program notes payable (“the PPP loans”) in the aggregate amount of \$511,228. The PPP loans were unsecured and payable to certain financial institutions at a fixed rate of 1.00% per annum with a deferral of interest and principal payments which ended in January 2021, the date the Small Business Administration issued a decision granting full forgiveness of the loans. During the year ended June 30, 2020, management estimated that EPC incurred or spent \$511,228 of expenditures eligible for forgiveness. Accordingly, this amount was recognized as a reduction to “notes payable” in the accompanying June 30, 2020 combined statement of financial position (reducing the balance of the PPP loans to zero as of June 30, 2020) and as “grant revenue” in the accompanying combined statement of activities for the year ended June 30, 2020.

NOTE I – SELF-FUNDED HEALTH INSURANCE

BRI provides a self-funded medical program of health and prescription drug benefits and other fully-insured benefits for eligible employees of member churches and their families, as well as clergy and their families. BRI has contracted with third party administrators to process claims. BRI has stop-loss insurance coverage for claims incurred which exceed \$525,000 (beginning in January 2020) or \$500,000 (until December 2019) per covered participant and \$750,000 related to a specific participant with a separate deductible amount until December 31, 2020. As of June 30, 2021 and 2020, BRI has recorded an actuarially-calculated estimated liability of \$1,171,000 and \$925,000, respectively, related to the self-funded medical program for estimated claims. This amount is included as “claims payable” in the accompanying combined statements of financial position.

Following is a summary of transactions for the self-funded medical program for the year ended June 30, 2021:

Premiums billed	\$ 16,534,151
Claims and premiums expense	(15,905,237)
Administrative expense	(675,013)
Deficit of revenue over expenses	\$ (46,099)

Following is a summary of transactions for the self-funded medical program for the year ended June 30, 2020:

Premiums billed	\$ 17,266,408
Claims and premiums expense	(15,185,666)
Administrative expense	(784,612)
Excess of revenue over expenses	\$ 1,296,130

EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE J – POSTRETIREMENT BENEFIT OBLIGATIONS

EPC previously provided postretirement benefits for retired or terminated employees or their beneficiaries and dependents and active employees and their beneficiaries and dependents after retirement from service with EPC. The costs of the post retirement benefits were shared by EPC and the retirees. Retirees were expected to contribute approximately 70% of estimated costs of providing postretirement benefits.

The post retirement benefits as described above were terminated effective January 1, 2020.

NOTE K – BOARD DESIGNATED NET ASSETS

Net assets were board designated for the following purposes:

<u>Category</u>	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Medical insurance fund	\$ 7,321,278	\$ 7,250,867
World outreach activities	869,434	734,971
Medical benevolence fund	498,217	418,736
Church loan fund	448,330	442,940
Other purposes	295,545	257,311
Endowment for the financial needs of ministers, missionaries, and other full-time Christian workers	<u>78,295</u>	<u>65,834</u>
Total board designated net assets	<u>\$ 9,511,099</u>	<u>\$ 9,170,659</u>

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were donor restricted for the following purposes during the year ended June 30, 2021:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2021</u>
International missions	\$ 2,490,686	\$ 5,911,965	\$ (5,110,318)	\$ 3,292,333
Various ministry efforts	833,304	403,523	(424,497)	812,330
Emergency relief	<u>438,556</u>	<u>136,730</u>	<u>(356,341)</u>	<u>218,945</u>
Total	<u>\$ 3,762,546</u>	<u>\$ 6,452,218</u>	<u>\$ (5,891,156)</u>	<u>\$ 4,323,608</u>

Net assets were donor restricted for the following purposes during the year ended June 30, 2020:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2020</u>
International missions	\$ 2,004,238	\$ 5,665,210	\$ (5,178,762)	\$ 2,490,686
Various ministry efforts	680,830	516,309	(363,835)	833,304
Emergency relief	<u>562,880</u>	<u>824,167</u>	<u>(948,491)</u>	<u>438,556</u>
Total	<u>\$ 3,247,948</u>	<u>\$ 7,005,686</u>	<u>\$ (6,491,088)</u>	<u>\$ 3,762,546</u>

EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE M – FUNCTIONAL EXPENSE ALLOCATION

Functional and natural expenses for EPC for the year ended June 30, 2021 were as follows:

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total expenses</u>
Premium and medical claims	\$ 16,922,041	\$ —	\$ —	\$ 16,922,041
Salaries and benefits	4,706,841	518,625	302,156	5,527,622
General administration	118,813	970,626	—	1,089,439
Special projects	943,380	—	1,631	945,011
General	35,221	374,566	—	409,787
Travel	239,438	1,988	2,148	243,574
Staff development	174,988	581	15,307	190,876
Professional services	70,075	89,657	—	159,732
Information technology	1,868	152,461	—	154,329
Insurance	59,935	32,697	—	92,632
Depreciation	18,044	42,074	—	60,118
Total expenses	\$ 23,290,644	\$ 2,183,275	\$ 321,242	\$ 25,795,161

Functional and natural expenses for EPC for the year ended June 30, 2020 were as follows:

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total expenses</u>
Premium and medical claims	\$ 16,229,701	\$ —	\$ —	\$ 16,229,701
Salaries and benefits	4,641,621	577,255	325,726	5,544,602
General administration	163,810	1,089,213	—	1,253,023
Special projects	999,375	—	489	999,864
General	42,777	399,574	—	442,351
Travel	366,190	11,112	3,008	380,310
Staff development	316,584	2,286	23,733	342,603
Information technology	—	136,715	—	136,715
Professional services	14,696	110,218	—	124,914
Insurance	47,955	64,832	—	112,787
Depreciation	—	41,110	—	41,110
Total expenses	\$ 22,822,709	\$ 2,432,315	\$ 352,956	\$ 25,607,980

The above schedules of functional expenses present expenses by functional and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

NOTE N – RETIREMENT PLAN

BRI maintains a 403(b) defined contribution retirement plan (“the Retirement Plan”). Employees are eligible to participate upon meeting the eligibility requirements described in the Retirement Plan document. Eligible employees may make tax-deferred contributions to the Retirement Plan. Employer contributions to the Retirement Plan are discretionary. During the years ended June 30, 2021 and 2020, EPC made contributions to the Retirement Plan totaling approximately \$96,000 and \$86,000, respectively.

EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE O – OPERATING LEASE

EPC leases office space under an operating lease agreement. Rent expense (including common area maintenance and other charges) related to this lease was approximately \$232,000 and \$236,000 during the years ended June 30, 2021 and 2020, respectively.

Future minimum rental payments under the noncancellable operating lease are approximately as follows:

Year Ending <u>June 30</u>	
2022	\$ 233,000
2023	240,000
2024	247,000
2025	255,000
2026	262,000
Thereafter	<u>112,000</u>
Total	<u>\$ 1,349,000</u>