



Batts Morrison  
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CERTIFIED PUBLIC ACCOUNTANTS

# Evangelical Presbyterian Church and Affiliates

Combined Financial Statements

For The Years Ended June 30, 2022 and 2021



Batts Morrison  
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## REPORT OF INDEPENDENT AUDITOR

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

### **Opinion**

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, 2022 and 2021, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

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, 2022 and 2021, 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.

### **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 Combined Financial Statements section of our report. We are required to be independent of EPC 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 Combined Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements 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, including omissions, 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 combined financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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- Identify and assess the risk of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined 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 EPC'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EPC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance 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 18, 2023

**EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	June 30,	
	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,373,221	\$ 5,052,531
Investments	12,222,591	12,491,720
Investments designated for long-term purposes	50,000	50,000
Receivables, net	16,136	62,444
Other assets	691,483	630,090
<b>Total assets</b>	<b>\$ 16,353,431</b>	<b>\$ 18,286,785</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 503,922	\$ 972,544
Claims payable	1,527,000	1,171,000
<b>Total liabilities</b>	<b>2,030,922</b>	<b>2,143,544</b>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	1,280,864	2,308,534
Designated	8,164,563	9,511,099
Total without donor restrictions	9,445,427	11,819,633
With donor restrictions	4,877,082	4,323,608
<b>Total net assets</b>	<b>14,322,509</b>	<b>16,143,241</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,353,431</b>	<b>\$ 18,286,785</b>

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

**EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES**  
**COMBINED STATEMENTS OF ACTIVITIES**

	For The Year Ended June 30, 2022			For The Year Ended June 30, 2021
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Premiums from participating churches	\$ 17,147,658	\$ —	\$ 17,147,658	\$ 17,518,413
Contributions with donor restrictions	—	7,686,503	7,686,503	6,452,218
Contributions without donor restrictions	1,741,728	—	1,741,728	1,754,025
Other revenue	264,960	—	264,960	193,151
Actuarial loss on self-funded health insurance liability	(356,000)	—	(356,000)	(246,000)
Investment (loss) income	(1,228,414)	—	(1,228,414)	1,494,514
Net assets released from restrictions	7,133,029	(7,133,029)	—	—
<b>Total public support and revenue and net assets released from restrictions</b>	<b>24,702,961</b>	<b>553,474</b>	<b>25,256,435</b>	<b>27,166,321</b>
<b>EXPENSES</b>				
Program activities				
Premiums and medical claims	15,912,513	—	15,912,513	16,922,041
Church program expenses	8,352,553	—	8,352,553	6,368,603
Total program activities	24,265,066	—	24,265,066	23,290,644
Supporting activities				
General and administrative	2,589,697	—	2,589,697	2,183,275
Fundraising	222,404	—	222,404	321,242
Total supporting activities	2,812,101	—	2,812,101	2,504,517
<b>Total expenses</b>	<b>27,077,167</b>	<b>—</b>	<b>27,077,167</b>	<b>25,795,161</b>
<b>Change in net assets without donor restrictions</b>	<b>(2,374,206)</b>	<b>—</b>	<b>(2,374,206)</b>	<b>810,098</b>
<b>Change in net assets with donor restrictions</b>	<b>—</b>	<b>553,474</b>	<b>553,474</b>	<b>561,062</b>
<b>CHANGE IN NET ASSETS</b>	<b>(2,374,206)</b>	<b>553,474</b>	<b>(1,820,732)</b>	<b>1,371,160</b>
<b>NET ASSETS - Beginning of year</b>	<b>11,819,633</b>	<b>4,323,608</b>	<b>16,143,241</b>	<b>14,772,081</b>
<b>NET ASSETS - End of year</b>	<b>\$ 9,445,427</b>	<b>\$ 4,877,082</b>	<b>\$ 14,322,509</b>	<b>\$ 16,143,241</b>

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,	
	2022	2021
<b>OPERATING CASH FLOWS</b>		
Cash received from participating churches	\$ 17,193,966	\$ 17,902,988
Cash received from contributors	9,428,231	8,206,243
Cash received from other sources	264,960	193,151
Investment income	273,801	267,299
Cash paid for operating activities and costs	<u>(27,607,182)</u>	<u>(25,356,625)</u>
<b>Net operating cash flows</b>	<b><u>(446,224)</u></b>	<b><u>1,213,056</u></b>
<b>INVESTING CASH FLOWS</b>		
Net purchases of investments	<u>(1,233,086)</u>	<u>(347,197)</u>
<b>Net investing cash flows</b>	<b><u>(1,233,086)</u></b>	<b><u>(347,197)</u></b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,679,310)</b>	<b>865,859</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b><u>5,052,531</u></b>	<b><u>4,186,672</u></b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b><u>\$ 3,373,221</u></b>	<b><u>\$ 5,052,531</u></b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO</b>		
<b>OPERATING CASH FLOWS</b>		
Change in net assets	\$ (1,820,732)	\$ 1,371,160
Adjustments to reconcile change in net assets to net operating cash flows		
Net investment loss (gain)	1,502,215	(1,227,215)
Change in receivables, net	46,308	384,575
Change in other assets	(61,393)	147,648
Change in accounts payable and accrued expenses	(468,622)	290,888
Change in claims payable	<u>356,000</u>	<u>246,000</u>
<b>Net operating cash flows</b>	<b><u>\$ (446,224)</u></b>	<b><u>\$ 1,213,056</u></b>

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

# 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 628 member churches with more than 127,000 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, 2022 and 2021, cash and cash equivalents includes approximately \$894,000 and \$1,410,000, 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 I. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions and described in Note J.

#### **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)**

#### **Subsequent events**

EPC has evaluated for possible financial statement reporting and disclosure subsequent events through the date of the report of independent auditor, 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>2022</u>	<u>2021</u>
Financial assets available:		
Cash and cash equivalents	\$ 3,373,221	\$ 5,052,531
Investments	12,222,591	12,491,720
Investments designated for long-term purposes	50,000	50,000
Receivables, net	<u>16,136</u>	<u>62,444</u>
Total financial assets available within one year	15,661,948	17,656,695
Less amounts unavailable for general expenditure within one year due to amounts held for:		
Medical insurance fund	(7,684,788)	(8,735,101)
Board designations	(1,725,215)	(1,663,196)
Donor restrictions	<u>(1,596,925)</u>	<u>(1,031,275)</u>
Net financial assets available within one year	<u>\$ 4,655,020</u>	<u>\$ 6,227,123</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 Board of Directors have designated certain amounts for various purposes of EPC as described in Note I. Because of the nature of the designations, certain of these amounts are not available for general expenditure within the next year; however, the Board 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.

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.

# EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES

## NOTES TO COMBINED FINANCIAL STATEMENTS

### **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>2022</u>	<u>2021</u>
Held as trustee for the Evangelical Presbyterian Church Benefits Plan	\$ 6,790,937	\$ 7,324,773
Held for donor-restricted purposes (EPC missionaries)	3,096,766	2,513,424
Held for general operations	2,133,064	2,127,011
Held for board-designated medical benevolence fund	182,411	498,217
Held for board-designated endowment	<u>69,413</u>	<u>78,295</u>
Total investments	<u>\$ 12,272,591</u>	<u>\$ 12,541,720</u>

Investments consisted of the following:

<u>Category</u>	<u>June 30.</u>	
	<u>2022</u>	<u>2021</u>
Money market and similar funds	\$ 1,028,798	\$ 708,344
Common and preferred stock	4,185,359	4,580,455
Mutual funds and exchange-traded funds	2,785,067	2,826,273
Corporate bonds	1,586,403	2,683,567
Government securities and other	<u>2,686,964</u>	<u>1,743,081</u>
Total investments	<u>\$ 12,272,591</u>	<u>\$ 12,541,720</u>

### **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.

**EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES**  
NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE F – FAIR VALUE MEASUREMENTS (Continued)**

The estimated fair value of certain assets measured on a recurring basis at June 30, 2022 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common and preferred stock	\$ 4,185,359	\$ 4,185,359	\$ —	\$ —
Mutual funds and exchange-traded funds	2,785,067	2,785,067	—	—
Corporate bonds	1,586,403	1,586,403	—	—
Government securities and other	<u>2,686,964</u>	<u>2,686,964</u>	—	—
Total	<u>\$ 11,243,793</u>	<u>\$ 11,243,793</u>	<u>\$ —</u>	<u>\$ —</u>

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>	—	—
Total	<u>\$ 11,833,376</u>	<u>\$ 11,833,376</u>	<u>\$ —</u>	<u>\$ —</u>

**NOTE G – OTHER ASSETS**

Other assets consisted of the following:

<u>Category</u>	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Depository account for medical claims	\$ 305,058	\$ 176,140
Notes receivable from churches	264,256	318,380
Copyrights and other amortized assets, net	48,906	65,132
Inventory	32,510	19,188
Furniture, fixtures, and equipment, net	23,912	34,409
Prepaid expenses	<u>16,841</u>	<u>16,841</u>
Total other assets	<u>\$ 691,483</u>	<u>\$ 630,090</u>

**NOTE H – 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 per covered participant and \$750,000 related to a specific participant with a separate deductible amount until December 31, 2020. As of June 30, 2022 and 2021, BRI has recorded an actuarially-calculated estimated liability of \$1,527,000 and \$1,171,000, 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.

**EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES**

NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE H – SELF-FUNDED HEALTH INSURANCE (Continued)**

Following is a summary of transactions for the self-funded medical program for the year ended June 30, 2022:

Premiums billed	\$ 16,041,349
Claims and premiums expense	(14,838,762)
Administrative expense	<u>(729,742)</u>
Excess of revenue over expenses	\$ <u>472,845</u>

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	<u>(675,013)</u>
Deficit of revenue over expenses	\$ <u>(46,099)</u>

**NOTE I – BOARD-DESIGNATED NET ASSETS**

Net assets were board-designated for the following purposes:

Category	June 30,	
	2022	2021
Medical insurance fund	\$ 6,280,884	\$ 7,321,278
Other purposes	879,930	295,545
World outreach activities	662,874	869,434
Medical benevolence fund	182,411	498,217
Church loan fund	89,051	448,330
Endowment for the financial needs of ministers, missionaries, and other full-time Christian workers	<u>69,413</u>	<u>78,295</u>
Total board-designated net assets	\$ <u>8,164,563</u>	\$ <u>9,511,099</u>

**NOTE J – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets were donor restricted for the following purposes during the year ended June 30, 2022:

	Balance <u>July 1, 2021</u>	<u>Contributions</u>	<u>Releases</u>	Balance <u>June 30, 2022</u>
International missions	\$ 3,292,333	\$ 6,187,244	\$ (6,199,420)	\$ 3,280,157
Various ministry efforts	812,330	606,391	(546,459)	872,262
Emergency relief	<u>218,945</u>	<u>892,868</u>	<u>(387,150)</u>	<u>724,663</u>
Total	\$ <u>4,323,608</u>	\$ <u>7,686,503</u>	\$ <u>(7,133,029)</u>	\$ <u>4,877,082</u>

**EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES**  
NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE J – NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

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

	Balance <u>July 1, 2020</u>	<u>Contributions</u>	<u>Releases</u>	Balance <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>

**NOTE K – FUNCTIONAL EXPENSE ALLOCATION**

Functional and natural expenses for EPC for the year ended June 30, 2022 were as follows:

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total expenses</u>
Premium and medical claims	\$ 15,912,513	\$ —	\$ —	\$ 15,912,513
Salaries and benefits	5,404,061	569,682	187,360	6,161,103
Special projects	1,575,857	—	4,303	1,580,160
General administration	35,106	1,201,567	—	1,236,673
Travel	882,741	8,976	4,016	895,733
General	76,243	401,098	—	477,341
Staff development	298,139	1,826	26,725	326,690
Professional services	14,593	241,843	—	256,436
Information technology	173	122,931	—	123,104
Insurance	65,640	29,496	—	95,136
Depreciation	<u>—</u>	<u>12,278</u>	<u>—</u>	<u>12,278</u>
<b>Total expenses</b>	<b><u>\$ 24,265,066</u></b>	<b><u>\$ 2,589,697</u></b>	<b><u>\$ 222,404</u></b>	<b><u>\$ 27,077,167</u></b>

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	<u>18,044</u>	<u>42,074</u>	<u>—</u>	<u>60,118</u>
<b>Total expenses</b>	<b><u>\$ 23,290,644</u></b>	<b><u>\$ 2,183,275</u></b>	<b><u>\$ 321,242</u></b>	<b><u>\$ 25,795,161</u></b>

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.

# EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES

## NOTES TO COMBINED FINANCIAL STATEMENTS

### **NOTE L – 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, 2022 and 2021, EPC made contributions to the Retirement Plan totaling approximately \$94,000 and \$96,000, respectively.

### **NOTE M – 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 during each of the years ended June 30, 2022 and 2021.

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

<u>Year Ending</u> <u>June 30</u>	
2023	\$ 240,000
2024	247,000
2025	255,000
2026	262,000
2027	<u>112,000</u>
Total	<u>\$ 1,116,000</u>