Evangelical Presbyterian Church Benefits Plan

Financial Statements

For The Years Ended June 30, 2019 and 2018

Batts Morrison Wales & Lee
Certified Public Accountants

BATTS MORRISON WALES & LEE
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITOR

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

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, 2019 and 2018, 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.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 risk 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 financial status of Evangelical Presbyterian Church Benefits Plan as of June 30, 2019 and 2018, and the changes in its financial status for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
April 26, 2020

EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	June 30, 2019	June 30, 2018
ASSETS		
Cash	$ 885,954	$ 886,128
Investments		
Money market and similar funds	1,008,415	596,390
Common and preferred stocks	2,376,588	2,155,240
Government securities	773,363	1,110,937
Corporate bonds	1,797,659	793,638
Mutual funds	—	645,910
Total investments	5,956,025	5,302,115
Receivables and other assets	612,595	642,803
Total assets	**7,454,574**	**6,831,046**
LIABILITIES		
Accounts payable and accrued expenses	117,493	139,198
Net excess contributions received from participating churches	109,371	106,903
Total liabilities	**226,864**	**246,101**
NET ASSETS AVAILABLE FOR BENEFITS	**$ 7,227,710**	**$ 6,584,945**

EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	For The Years Ended June 30, 2019	For The Years Ended June 30, 2018
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Investment income, net		
Dividend and interest income	$ 152,065	$ 185,638
Net appreciation in estimated fair value of investments	201,845	27,399
Total investment income, net	353,910	213,037
Premiums from participating churches	18,224,411	16,919,568
Total additions	**18,578,321**	**17,132,605**
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Claims and premium expenses	16,591,602	17,336,657
Administrative expenses	1,244,291	1,459,498
Health savings accounts transfers	99,663	211,835
Total deductions	**17,935,556**	**19,007,990**
NET INCREASE (DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS	**642,765**	**(1,875,385)**
NET ASSETS AVAILABLE FOR BENEFITS – Beginning of year	**6,584,945**	**8,460,330**
NET ASSETS AVAILABLE FOR BENEFITS – End of year	**$ 7,227,710**	**$ 6,584,945**

EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN

STATEMENTS OF BENEFIT OBLIGATIONS

	June 30, 2019	June 30, 2018
AMOUNTS CURRENTLY PAYABLE		
Claims payable and incurred but not reported	$ 1,216,000	$ 1,661,000
Total amounts currently payable	**1,216,000**	**1,661,000**
POST RETIREMENT BENEFIT OBLIGATIONS, NET OF AMOUNTS CURRENTLY PAYABLE		
Retired participants	5,031	5,031
Other participants fully eligible for benefits	95,930	95,930
Participants not fully eligible for benefits	189,035	189,035
Total postretirement benefit obligations	**289,996**	**289,996**
TOTAL BENEFIT OBLIGATIONS	**$ 1,505,996**	**$ 1,950,996**

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, 2019	2018
AMOUNTS CURRENTLY PAYABLE		
Balance, beginning of year	$ 1,661,000	$ 1,544,666
Claims and premiums incurred	17,347,680	18,116,694
Claims and insurance premiums paid	(17,792,680)	(18,000,360)
Balance, end of year	**1,216,000**	**1,661,000**
POST RETIREMENT BENEFIT OBLIGATIONS, NET OF AMOUNTS CURRENTLY PAYABLE		
Balance, beginning of year	289,996	560,385
Actuarial adjustment	—	(296,604)
Service cost and actuarial loss	—	40,989
Interest	—	9,073
Benefits paid	—	(9,116)
Change in assumptions	—	(14,731)
Balance, end of year	**289,996**	**289,996**
TOTAL BENEFIT OBLIGATIONS – End of year	**$ 1,505,996**	**$ 1,950,996**

The Accompanying Notes are an Integral
Part of These 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 missionaries, clergy, and their families. Certain retired employees are entitled to medical benefits under the Plan if they have attained at least age 59 1/2, 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. Certain retired employees are entitled to similar benefits (in excess of Medicare coverage).

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 for member churches and participants are paid from the assets of the Plan.

The claims for self-insured health and prescription benefits are processed by the Plan's third-party claims processors under administrative services-only ("ASO") 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 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). During 2018, the specific stop-loss coverage began when claims reached $325,000 per covered participant, with a flat corridor amount of $150,000. During 2019, the specific stop-loss coverage began when claims reached $500,000 per covered participant (and $750,000 related to a specific participant with a separate deductible amount).

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. The costs of the postretirement benefit plan are shared by retirees. Retiree contribution rates are also determined by the Board of Directors of BRI with the advice of an actuary.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Investment valuation and income recognition
The Plan's investments are stated at their estimated fair value. See Note E 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 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 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 and not reported, the post retirement benefit obligation, and the estimated fair value of investments. Actual results could differ from the estimates.

Deposits
A certain third-party claims processor of the Plan requires a deposit based on the amount of average claims payable. The total deposit held with this third-party claims processor is approximately $161,000 as of June 30, 2019 and 2018 and is included in "receivables and other assets" in the accompanying statements of net assets available for benefits.

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 approximately $883,000 and $905,000 have been netted with claims and premium expenses for the years ended June 30, 2019 and 2018, respectively.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refunds and rebates

Refunds and rebates due from the Plan's PBM are recorded when earned. Refunds and rebates due to the Plan of approximately $451,000 and $482,000 as of June 30, 2019 and 2018, respectively, are included in the accompanying statements of net assets available for benefits in "receivables and other assets" with the offset being netted against "claims and premium expenses."

Administrative expenses

The Plan pays administrative expenses that consist primarily of administrative fees paid to the Church and various service providers. These expenses are reported in the accompanying statements of changes in net assets available for benefits as "administrative expenses." 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.

Claims incurred but not reported

Plan obligations at June 30, 2019 and 2018 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.

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

Investments consisted of the following:

	June 30,	
	2019	2018
Money market and similar funds	$ 1,008,415	$ 596,390
Common and preferred stocks	2,376,588	2,155,240
Government securities	773,363	1,110,937
Corporate bonds	1,797,659	793,638
Mutual funds	—	645,910
Total investments	$ 5,956,025	$ 5,302,115

During the years ended June 30, 2019 and 2018, 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 $201,845 and $27,399, respectively.

NOTE E – FAIR VALUE MEASUREMENTS

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, 2019 and 2018.

NOTE E – FAIR VALUE MEASUREMENTS (Continued)

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

Estimated fair value of investments measured on a recurring basis as of June 30, 2019, are as follows:

	Total	Level 1	Level 2	Level 3
Common and preferred stocks	$ 2,376,588	$ 2,376,588	$ —	$ —
Government securities	773,363	773,363	—	—
Corporate bonds	1,797,659	1,797,659	—	—
Total	$ 4,947,610	$ 4,947,610	$ —	$ —

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

	Total	Level 1	Level 2	Level 3
Common and preferred stocks	$ 2,155,240	$ 2,155,240	$ —	$ —
Government securities	1,110,937	1,110,937	—	—
Corporate bonds	793,638	793,638	—	—
Mutual funds	645,910	645,910	—	—
Total	$ 4,705,725	$ 4,705,725	$ —	$ —

NOTE F – POSTRETIREMENT BENEFIT OBLIGATIONS

The actuarial present value of postretirement benefit obligations represents the present value of future benefits, which are attributable under the Plan's provisions to the service employees have rendered, reduced by the actuarial present value of premium contributions expected to be received in the future from current Plan participants. Postretirement benefits include benefits expected to be paid to certain retired employees or their beneficiaries and dependents and certain active employees and their beneficiaries and dependents after retirement from service with the Church. The costs of the postretirement benefits are shared by the Church and retirees. Retirees are expected to contribute approximately 70% of estimated costs of providing postretirement benefits. The postretirement benefit obligations represent the amount that is to be funded by contributions from the Church and from Plan assets.

NOTE F – POSTRETIREMENT BENEFIT OBLIGATIONS (Continued)

Management used census data as of June 30, 2018 to measure the postretirement benefit obligations and to determine the related footnote disclosures as of June 30, 2019 since there were no material changes in the underlying census data during the period from July 1, 2018 to June 30, 2019. Management determined that the census data as of June 30, 2019 would not result in a materially different liability or footnote disclosures.

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

The actuarial present value of the postretirement benefit obligations is determined by the Plan's actuary. It results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, withdrawal, or retirement) between the valuation date and the expected date of payment.

For measurement purposes, the assumed annual rate of increase in the per capita cost of covered health care benefits was 5.30% for the year ended June 30, 2018. The rate decreases to 4.70% in the year 2084 and beyond. The following were other significant assumptions used in the valuation as of June 30, 2018:

Life expectancy of participants	RP-2014 Healthy Mortality Table with Generational Projection per modified scale MP-2018	
Retirement age assumptions	Ages 59-61:	10.00%
	Ages 62-63:	15.00%
	Age 64:	10.00%
	Age 65:	50.00%
	Ages 66-69:	40.00%
	Age 70:	100.00%
Discount rate	4.00%	
Turnover	65% of modified Vaughn Turnover Table (ultimate rates)	
	Age 20:	12.09%
	Age 30:	6.57%
	Age 40:	4.23%
	Age 50:	2.93%
	Age 60:	0.00%

The valuation excludes current post-65 actives and retirees who are paying 100% of the premium. The independent actuary assumed that there is no implicit rate subsidy associated with these benefits.

The liability for postretirement benefits depends heavily on actuarial assumptions. The impact of changes to the actuarial assumptions would result in benefit obligations increase by approximately $28,000 as of June 30, 2018 with a 1% increase in the annual health care cost trend assumptions.

The actuarial adjustment included in the statement of changes in benefit obligations represents a correction in the beginning balance of the postretirement benefit obligations, which is not material to the financial statements as a whole.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of postretirement benefit obligations.

NOTE G – 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 $331,000 and $338,000 during the years ended June 30, 2019 and 2018, respectively, and are reported as "administrative expenses" in the accompanying statements of changes in net assets available for benefits.

NOTE H – 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 I – 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 J – 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 statement of net assets available for benefits.

The postretirement benefit obligation is reported based on certain assumptions pertaining to interest rates, health care trend rates, and employee demographics, all of which are subject to change. 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.

NOTE K – SUBSEQUENT EVENTS

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"). The pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. Management is closely monitoring the potential impact of the pandemic on the Plan's financial condition. Because the values of the Plan's investments have and will fluctuate in response to changing market conditions, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity at this time.

The Plan has evaluated for possible financial reporting and disclosure subsequent events through April 26, 2020, the date as of which the financial statements were available to be issued.