



EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020





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, 2021 and 2020, 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, 2021 and 2020, 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.

BATT'S MORRISON WALES & LEE, P.A.

Orlando, Florida
June 8, 2022

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

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 1,410,328	\$ 1,494,410
Investments		
Money market and similar funds	515,657	1,113,740
Common and preferred stocks	3,049,224	2,394,931
Fixed income securities	<u>3,759,892</u>	<u>2,846,641</u>
Total investments	<u>7,324,773</u>	<u>6,355,312</u>
Receivables and other assets	<u>176,140</u>	<u>618,068</u>
Total assets	<u>8,911,241</u>	<u>8,467,790</u>
LIABILITIES		
Accounts payable and accrued expenses	212,597	125,744
Net excess contributions received from participating churches	<u>206,366</u>	<u>166,179</u>
Total liabilities	<u>418,963</u>	<u>291,923</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 8,492,278</u>	<u>\$ 8,175,867</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

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

	For The Years Ended June 30,	
	2021	2020
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Investment income, net		
Net appreciation in estimated fair value of investments	\$ 702,473	\$ 44,338
Dividend and interest income	<u>166,988</u>	<u>154,950</u>
Total investment income, net	869,461	199,288
Premiums from participating churches	<u>17,518,413</u>	<u>18,262,527</u>
Total additions	<u>18,387,874</u>	<u>18,461,815</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Claims and premium expenses	16,922,041	16,229,701
Administrative expenses and other	<u>1,149,422</u>	<u>1,283,957</u>
Total deductions	<u>18,071,463</u>	<u>17,513,658</u>
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	316,411	948,157
NET ASSETS AVAILABLE FOR BENEFITS – Beginning of year	<u>8,175,867</u>	<u>7,227,710</u>
NET ASSETS AVAILABLE FOR BENEFITS – End of year	<u><u>\$ 8,492,278</u></u>	<u><u>\$ 8,175,867</u></u>

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EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN
STATEMENTS OF BENEFIT OBLIGATIONS

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
AMOUNTS CURRENTLY PAYABLE		
Claims payable and incurred but not reported	\$ <u>1,171,000</u>	\$ <u>925,000</u>
Total amounts currently payable	<u>1,171,000</u>	<u>925,000</u>
TOTAL BENEFIT OBLIGATIONS	<u>\$ 1,171,000</u>	<u>\$ 925,000</u>

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EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN
STATEMENTS OF CHANGES IN BENEFIT OBLIGATIONS

	For The Years Ended	
	June 30,	
	2021	2020
AMOUNTS CURRENTLY PAYABLE		
Balance, beginning of year	\$ 925,000	\$ 1,216,000
Claims and premiums incurred	16,435,226	16,421,635
Claims and insurance premiums paid	<u>(16,189,226)</u>	<u>(16,712,635)</u>
Balance, end of year	<u>1,171,000</u>	<u>925,000</u>
POST RETIREMENT BENEFIT OBLIGATIONS, NET OF AMOUNTS CURRENTLY PAYABLE		
Balance, beginning of year	—	289,996
Termination of postretirement benefit	<u>—</u>	<u>(289,996)</u>
Balance, end of year	<u>—</u>	<u>—</u>
TOTAL BENEFIT OBLIGATIONS – End of year	<u>\$ 1,171,000</u>	<u>\$ 925,000</u>

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EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE A – DESCRIPTION OF PLAN

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

General

The Plan is a defined benefit plan of the Evangelical Presbyterian Church (“the Church”) which covers member churches’ full-time employees, certain 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.

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). The specific stop-loss coverage begins when claims reach \$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).

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.

Basis of accounting

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

EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 \$173,000 as of June 30, 2021 and 2020, 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 \$178,000 have been netted with claims and premium expenses for the year ended June 30, 2020.

Refunds and rebates

Refunds and rebates due from the Plan's PBM are recorded when earned. Refunds and rebates due to the Plan of \$0 and approximately \$443,000 as of June 30, 2021 and 2020, 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" in the accompanying statement of changes in net assets available for benefits.

EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and other.” Any administrative expenses not paid by the Plan are paid by the Church on behalf of the Plan and reimbursed by the Plan to the Church.

Claims incurred but not reported

Plan obligations at June 30, 2021 and 2020 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.

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”). 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.

Subsequent events

The Plan has evaluated for possible financial reporting and disclosure subsequent events through June 8, 2022, the date as of which the financial statements were available to be issued.

NOTE C – CONCENTRATION OF CREDIT RISK

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

NOTE D – INVESTMENTS

Investments consisted of the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Money market and similar funds	\$ 515,657	\$ 1,113,740
Common and preferred stocks	3,049,224	2,394,931
Fixed income securities	<u>3,759,892</u>	<u>2,846,641</u>
Total investments	<u>\$ 7,324,773</u>	<u>\$ 6,355,312</u>

During the years ended June 30, 2021 and 2020, 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 \$702,473 and \$44,338, respectively.

EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020. 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, 2021, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common and preferred stocks	\$ 3,049,224	\$ 3,049,224	\$ —	\$ —
Fixed income securities	<u>3,759,892</u>	<u>3,759,892</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 6,809,116</u>	<u>\$ 6,809,116</u>	<u>\$ —</u>	<u>\$ —</u>

Estimated fair value of investments measured on a recurring basis as of June 30, 2020, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common and preferred stocks	\$ 2,394,931	\$ 2,394,931	\$ —	\$ —
Fixed income securities	<u>2,846,641</u>	<u>2,846,641</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 5,241,572</u>	<u>\$ 5,241,572</u>	<u>\$ —</u>	<u>\$ —</u>

NOTE F – POSTRETIREMENT BENEFIT OBLIGATIONS

The Plan 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. The costs of the post retirement benefits were shared by the Plan 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.

EVANGELICAL PRESBYTERIAN CHURCH BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS

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 \$393,000 and \$298,000 during the years ended June 30, 2021 and 2020, respectively, and are reported as “administrative expenses and other” in the accompanying statements of changes in net assets available for benefits.

Approximately \$85,000 and \$30,000 as of June 30, 2021 and 2020, respectively, are due to the Church and are included in “accounts payable and accrued expenses” in the accompanying statements of net assets available for benefits.

NOTE 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 statements of net assets available for benefits.

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.