



## Fiscal Year 2022 Financial Report

As we prepare to gather at our Annual Meeting, please find the following summary of the financial materials and information related to our financial stewardship, our operating results, and our benefit programs.

### OUR STEWARDSHIP

The Covenant Finance team endeavors to ensure that Covenant resources are stewarded in a manner that sustains and advances our mission, glorifies God, and honors the intent of our donors. We are grateful for the trust that our donors and members place in us.

As detailed at Gather 2022, the Covenant is experiencing a downturn in unrestricted giving—which is the giving that funds our mission priorities and operating budget. Our fiscal year 2023 budget projects that annual net unrestricted giving (total unrestricted giving less the giving to global personnel) will be nearly \$507,000 less than we received five years ago in FY18. This is proving particularly challenging as we return to normal (post-pandemic) levels of mission activity.

Accordingly, Covenant leadership has been engaged in a rigorous and thoughtful endeavor to better align our mission spending with our mission provision. This is one of the guiding principles that President Tammy Swanson-Draheim shared at Midwinter 2023, declaring that we will “work within” what has been provided financially for mission. We have earnestly attempted to reduce the cost of our mission over the past several years, but meaningful progress has been hampered by the need for a strategic restructuring. Accordingly, we are excited about the “Phase 1” strategic redesign to be presented at Gather 2023 for delegate consideration. This plan lays the foundation for Covenant Offices to more effectively—and efficiently—serve our churches and members.

## FY2022 OPERATING RESULTS

Our mission budget in fiscal year 2022 totaled \$18,214,725. While that spend was 3.6% over budget, it is 3.7% lower than our total spend in FY2019, reflecting our expense reduction efforts. The table below is a detailed breakout of our FY22 results:

	<b>Budget FY2022</b>	<b>Actual FY 2022</b>	<b>% vs Budget</b>
<b>Mission Provision</b>			
ECC Church Support	\$ 8,150,000	\$ 7,454,249	-8.54%
Individual Donor Support	\$ 2,612,000	\$ 2,992,756	14.58%
Affiliate Fees	\$ 4,203,006	\$ 4,304,593	2.42%
Mission Investment	\$ 1,326,226	\$ 2,380,646	79.51%
Annual Bequests Draw	\$ 818,000	\$ 818,000	0.00%
Other Income and Rent	\$ 472,104	\$ 264,481	-43.98%
<b>TOTAL MISSION PROVISION</b>	<b>\$ 17,581,336</b>	<b>\$ 18,214,725</b>	<b>3.60%</b>
<b>Misssion Investment</b>			
Start and Strengthen Churches	\$ 1,227,340	\$ 1,219,705	-0.62%
Make and Deepen Disciples	\$ 841,011	\$ 651,718	-22.51%
Develop Leaders	\$ 937,666	\$ 1,191,938	27.12%
Love Mercy Do Justice	\$ 641,604	\$ 647,483	0.92%
Serve Globally	\$ 1,418,738	\$ 1,071,039	-24.51%
Communications	\$ 1,464,442	\$ 1,454,684	-0.67%
Shared Services	\$ 4,098,426	\$ 5,428,957	32.46%
Other	\$ 182,689	\$ 249,760	36.71%
<b>Core Mission Investment</b>	<b>\$ 10,811,916</b>	<b>\$ 11,915,284</b>	<b>10.21%</b>
Church Plant Appropriations	\$ 1,817,500	\$ 1,561,314	-14.10%
Living Legacy Funding	\$ (480,000)	\$ (508,995)	6.04%
<b>Net Church Plant Appropriations</b>	<b>\$ 1,337,500</b>	<b>\$ 1,052,319</b>	<b>-21.32%</b>
Global Personnel Appropriations	\$ 4,431,920	\$ 4,247,122	-4.17%
North Park University Support	\$ 1,000,000	\$ 1,000,000	0.00%
<b>Mission Friends Appropriations</b>	<b>\$ 5,431,920</b>	<b>\$ 5,247,122</b>	<b>-3.40%</b>
<b>TOTAL MISSION INVESTMENT</b>	<b>\$ 17,581,336</b>	<b>\$ 18,214,725</b>	<b>3.60%</b>

#### FY22 Mission Provision highlights:

- Total unrestricted giving was 2.9% under budget, with Church Support 8.5% behind budget and Individual Donor Support running 14.6% ahead of budget.
- Other Income and Rent was significantly behind budget due to depressed Communications sales and subscription income. The FY22 budget anticipated a return to pre-pandemic levels of Communications income that did not materialize.
- Required Mission Investment support (the draw on general mission reserves to fund any budget gap) was \$1,054,420 more than projected in the FY22 budget. Net of required Mission Investment support, Total Mission Provision was 2.6% behind projection, primarily due to the decline in unrestricted giving.

#### FY22 Mission Investment highlights:

- The FY22 consolidated spend of our five Mission Priorities was \$4.78 million, or 5.6% under budget. The Develop Leaders cost overrun is primarily due to increased investment in pastoral care and interim leadership costs.
- The Shared Services (Operations, HR, Finance, Advancement, Governance, President's Office) cost was 32.5% over budget due to increased investment in IT, governance, and events management—as well as expenses related to leadership turnover.
- Net Church Plant Appropriations were 21.3% below budget due to reduced church planting activity.
- We are pleased to have been able to continue our annual support of North Park University and North Park Theological Seminary at a level of \$1 million.

## LOOKING FORWARD

We are more than halfway into fiscal year 2023, and thus far, our budget appears to be very much on track. Total unrestricted giving is in line with expectations, and total mission expenses are running slightly under our projections. We are hopeful that, should these trends persist, we will require less required Mission Investment support from our reserves than the \$1.46 million projected in the approved FY23 budget.

## COVENANT BENEFITS

The Covenant Pension Plan's total asset value declined 11% over calendar 2022 in what was a very challenging year for capital markets. Fortunately, the CPP was approximately 118% funded heading into the year, and as of January 1, 2023, is estimated to still be fully funded. Our 403b9 plan with Guidestone has become an increasingly larger piece of our retirement paradigm with nearly 300 churches participating and a total assets under management of \$26 million.

Covenant Benefits continues to experience solid enrollment, sound reserves, and good operating results. Year after year, the Covenant Benefits team strives to provide Covenant churches, affiliates, pastors, global personnel, and retirees with affordable, high quality, and comprehensive care—without compromising the plan's long-term sustainability. The team rolled out enhanced and expanded service offerings in calendar year 2023. We now offer three levels of coverage for our members: the platinum-rated "Covenant Plus" plan, the gold-rated "Covenant Standard" plan, and the high deductible silver-rated "Covenant Value" plan that includes an HSA component. We also increased medical premiums in 2023 by 10% to better reflect the increasing cost of medical care. Both the new plan offerings and the increased premium were well-received by our churches and members.

## FINANCIAL AUDIT UPDATES

We provide you with the most recent Covenant audited financial reports at our annual meeting. Enclosed in this packet is the audited consolidated financial statements of the Covenant for the fiscal year ended September 30, 2021. This report includes both "base mission" activity as well as broader global "project ministries" and related Covenant financial obligations. This is the most comprehensive view of our mission activity from a financial perspective.

Although our fiscal year 2022 audit is still in process, we anticipate that it will be completed prior to the Annual Meeting in June and made available at our gathering.

Thank you for serving the Covenant as a delegate to Gather 2023. Please know that our goal is to ensure the long-term sustainability of the Covenant's finances in its support of our mission. If we are to mission well, we must steward well. We continually seek better accountability, prudent financial

and risk management, and faithful allocation of God's provision across the entire sphere of Covenant ministries and people so that we might all become three strands stronger.

We continue to be blessed by talented and faithful Covenanters who work alongside us on the Finance Committee of the Executive Board and on the Board of Pensions and Benefits. Our work would not be possible without them, or without you.

We look forward to sharing more with you at Gather 2023.

With deep gratitude,

A handwritten signature in black ink, appearing to read "Steve Klimkowski". The signature is fluid and cursive, with a prominent initial "S" and a long, sweeping tail.

Steve Klimkowski  
Treasurer and Chief Financial Officer

# THE EVANGELICAL COVENANT CHURCH

Consolidated Financial Statements  
With Independent Auditors' Report

September 30, 2021 and 2020

# THE EVANGELICAL COVENANT CHURCH

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## INDEPENDENT AUDITORS' REPORT

To the Executive Board of  
The Evangelical Covenant Church  
Chicago, Illinois

We have audited the accompanying consolidated financial statements of The Evangelical Covenant Church, which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the year and eight months then ended, respectively, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Covenant Trust Company, an investee of which The Evangelical Covenant Church has a significant influence. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the investment in Covenant Trust Company, is based solely on the report of the other auditors. The investment in Covenant Trust Company made up 2.9% of The Evangelical Covenant Church's total assets and 16.1% of its change in net assets. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Executive Board of  
The Evangelical Covenant Church  
Chicago, Illinois

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Evangelical Covenant Church as of September 30, 2021 and 2020, and the changes in its consolidated net assets and cash flows for the year and eight months then ended, respectively, in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Naperville, Illinois  
December 14, 2022

# THE EVANGELICAL COVENANT CHURCH

## Consolidated Statements of Financial Position

	September 30,	
	2021	2020
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,459,455	\$ 3,032,897
Assets held for board designated purposes:		
Cash and cash equivalents	263,987	199,750
Investments	5,979,297	6,246,312
Prepaid expenses and other assets	108,206	123,580
Notes and accounts receivable:		
Churches and other affiliates (net of allowance of \$25,000 at September 30, 2021 and 2020)	1,893,313	1,311,651
Other Covenant entities	2,216,754	2,187,302
Other	272,290	307,450
Real estate held for sale (Note 15)	815,388	592,719
Investments (Note 2)	56,211,342	54,859,886
Investments whose use is limited (Note 2):		
Annuities	6,511,798	7,584,604
Investments pledged	1,256,546	1,505,581
Property and equipment, net (Note 4)	9,368,109	9,537,972
Interest in irrevocable trusts (Note 7)	726,606	809,528
<b>Total Assets</b>	<b>\$ 87,083,091</b>	<b>\$ 88,299,232</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Accounts payable and accrued expenses	\$ 2,532,597	\$ 2,387,721
Deferred income	1,566,475	1,750,758
Insurance payable	19,680,700	21,997,615
Lines of credit and notes payable (Note 5)	4,252,448	6,685,234
Supplemental retirement benefits payable (Note 12)	541,647	575,308
Annuities (Note 13):		
Annuities payable	743,387	841,588
Due to other Covenant entities	5,558,852	6,418,274
<b>Total Liabilities</b>	<b>34,876,106</b>	<b>40,656,498</b>
<b>Net assets:</b>		
Without donor restrictions	26,036,076	22,498,235
With donor restrictions (Note 10)	26,170,909	25,144,499
<b>Total Net Assets</b>	<b>52,206,985</b>	<b>47,642,734</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 87,083,091</b>	<b>\$ 88,299,232</b>

See notes to consolidated financial statements

# THE EVANGELICAL COVENANT CHURCH

## Consolidated Statements of Activities

	Year Ended September 30, 2021			Eight Month Period Ended September 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>INCOME:</b>						
Church giving	\$ 4,947,684	\$ 3,502,229	\$ 8,449,913	\$ 3,129,382	\$ 2,261,566	\$ 5,390,948
Fees	3,904,879	-	3,904,879	2,601,221	-	2,601,221
Contributions	1,564,429	5,482,424	7,046,853	7,302,616	2,636,293	9,938,909
Meetings and events	85,154	-	85,154	14,817	-	14,817
Communication sales	100,310	-	100,310	119,446	-	119,446
Bequests	2,421,867	-	2,421,867	1,026,368	-	1,026,368
Loss on sale of real estate held for sale	(166,620)	-	(166,620)	(355,888)	-	(355,888)
Paycheck Protection Program loan forgiveness	1,775,900	-	1,775,900	-	-	-
Other	139,507	1,205,213	1,344,720	290,351	1,382,407	1,672,758
Investment income net of fees	3,130,193	1,866,440	4,996,633	793,147	250,893	1,044,040
Change in value of annuities and interest in irrevocable trusts	(14,124)	(184,814)	(198,938)	(5,289)	(13,784)	(19,073)
<b>Total Support and Revenue</b>	<b>17,889,179</b>	<b>11,871,492</b>	<b>29,760,671</b>	<b>14,916,171</b>	<b>6,517,375</b>	<b>21,433,546</b>
<b>Net Assets Released From Restrictions:</b>	<b>10,845,082</b>	<b>(10,845,082)</b>	<b>-</b>	<b>7,109,492</b>	<b>(7,109,492)</b>	<b>-</b>
	<b>28,734,261</b>	<b>1,026,410</b>	<b>29,760,671</b>	<b>22,025,663</b>	<b>(592,117)</b>	<b>21,433,546</b>
<b>EXPENSES:</b>						
Start & Strengthen Churches	4,590,815	-	4,590,815	3,133,039	-	3,133,039
Make & Deepen Disciples	733,803	-	733,803	616,845	-	616,845
Develop Leaders	2,597,915	-	2,597,915	1,777,128	-	1,777,128
Love Mercy, Do Justice	1,135,334	-	1,135,334	539,979	-	539,979
Serve Globally	9,564,751	-	9,564,751	6,570,619	-	6,570,619
General Mission	136,044	-	136,044	87,119	-	87,119
Communication	1,509,483	-	1,509,483	836,239	-	836,239
General administration	3,995,700	-	3,995,700	2,740,324	-	2,740,324
Fundraising	932,575	-	932,575	423,201	-	423,201
<b>Total Expenses</b>	<b>25,196,420</b>	<b>-</b>	<b>25,196,420</b>	<b>16,724,493</b>	<b>-</b>	<b>16,724,493</b>
<b>Changes in Net Assets</b>	<b>3,537,841</b>	<b>1,026,410</b>	<b>4,564,251</b>	<b>5,301,170</b>	<b>(592,117)</b>	<b>4,709,053</b>
<b>Net Assets, Beginning of Year</b>	<b>22,498,235</b>	<b>25,144,499</b>	<b>47,642,734</b>	<b>17,197,065</b>	<b>25,736,616</b>	<b>42,933,681</b>
<b>Net Assets, End of Year</b>	<b>\$ 26,036,076</b>	<b>\$ 26,170,909</b>	<b>\$ 52,206,985</b>	<b>\$ 22,498,235</b>	<b>\$ 25,144,499</b>	<b>\$ 47,642,734</b>

See notes to consolidated financial statements

# THE EVANGELICAL COVENANT CHURCH

## Consolidated Statements of Cash Flows

	Year Ended September 30, 2021	Eight Month Period Ended September 30, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 4,564,251	\$ 4,709,053
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	169,863	173,323
Paycheck Protection Program loan forgiveness	(1,775,900)	-
Unrealized appreciation on investments	(4,372,482)	(392,285)
Unrealized depreciation (appreciation) on annuity investments	(11,483)	2,631
Loss (Gain) on sale of investments	(2,293,766)	189,283
Gain on sale of annuity investments	(47,866)	(9,521)
Notes payable assumed upon acquisition of real estate held for sale	1,082,661	-
Loss on sale of real estate held for sale	166,620	355,888
Annuity payments	285,439	95,198
Actuarial change in annuities	(40,009)	(83,936)
Annuity liability of matured agreements	(59,160)	-
Change in interest in irrevocable trusts	82,922	27,579
Contributions restricted for investment in endowment	(836,256)	(1,172,813)
Changes in:		
Contributions and bequests receivable	-	142,440
Accounts receivable	(339,158)	(450,301)
Prepaid expenses and other assets	15,374	(19,748)
Accounts payable and accrued expenses	144,876	(198,027)
Insurance payable	(2,316,915)	(314,498)
Supplemental retirement benefits payable	(33,661)	(14,481)
Deferred income	(184,283)	(128,238)
Net Cash (Used) Provided by Operating Activities	(5,798,933)	2,911,547
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(35,867,324)	(8,737,066)
Proceeds from sale and maturity of investments	41,698,165	3,397,292
Proceeds from sale and maturity of investments restricted for annuities	272,734	82,320
Purchase of property held for sale	(600,000)	-
Proceeds from sale of property held for sale	426,099	874,651
Disbursements under notes receivable	(825,201)	(594,155)
Collections on notes receivable	588,405	223,644
Net Cash Provided (Used) by Investing Activities	5,692,878	(4,753,314)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for investment in endowment	836,256	1,172,813
Borrowings from lines of credit and notes payable	1,781,097	3,100,052
Repayments from lines of credit and notes payable	(3,736,032)	(994,406)
Annuity payments	(285,439)	(95,198)
New annuity agreements	1,801	-
Gift portion of new annuity agreements	(833)	-
Net Cash (Used) Provided by Financing Activities	(1,403,150)	3,183,261
Net Increase (Decrease) in Cash and Cash Equivalents	(1,509,205)	1,341,494
Cash and Cash Equivalents, Beginning of Year	3,232,647	1,891,153
Cash and Cash Equivalents, End of Year	\$ 1,723,442	\$ 3,232,647

(continued)

See notes to consolidated financial statements

# THE EVANGELICAL COVENANT CHURCH

## Consolidated Statements of Cash Flows

(continued)

	Year Ended September 30, 2021	Eight Month Period Ended September 30, 2020
Cash and cash equivalents consist of the following:		
Cash and cash equivalents	\$ 1,459,455	\$ 3,032,897
Cash and cash equivalents held for board designated purposes	263,987	199,750
	<u>\$ 1,723,442</u>	<u>\$ 3,232,647</u>
 SUPPLEMENTAL INFORMATION:		
Cash paid for interest	<u>\$ 161,763</u>	<u>\$ 107,700</u>
Loan forgiveness recognized as revenue	<u>\$ 1,775,900</u>	<u>\$ -</u>
Notes payable assumed upon acquisition of real estate held for sale	<u>\$ 1,082,661</u>	<u>\$ -</u>
Acquisition of real estate held for sale by note payable	<u>\$ 215,388</u>	<u>\$ 107,573</u>

See notes to consolidated financial statements

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

### 1. SIGNIFICANT ACCOUNTING POLICIES:

#### NATURE OF ORGANIZATION

The Evangelical Covenant Church (the “Church”) and other Covenant institutions are accountable to the Executive Board of the Covenant and the Covenant Annual Meeting. Only those funds under the Executive Board's control that are associated with the Church activities are included in these consolidated financial statements. The consolidated financial statements exclude the accounts of member churches and regional conferences. They also exclude other Covenant institutions administered by separate Boards. These Covenant institutions are related parties of the Church as the Executive Board is a member of their institutional boards. Related parties include Covenant Ministries of Benevolence, North Park University, National Covenant Properties, Covenant Trust Company, Paul Carlson Partnership, and Centro Hispano de Estudios Teologicos del Pacto Evangelico. The Church is exempt from taxation pursuant to Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Church has been classified as an organization that is not a private foundation under IRC Section 509(a)(1). Accordingly, no provision for federal or state income taxes is required.

#### BASIS OF CONSOLIDATION

Bezalel, Inc. and CovScholars LLC are nonprofit organizations whose sole member is the Church. They have been incorporated in the State of Illinois within the meaning of Section 501(c)(3) of the IRC. Bezalel, Inc. was formed in 2016 to assist the Church in acquiring and developing real property for families in low-income communities. CovScholars was formed in 2017 to provide a loan program for scholars at North Park Theological Seminary. Intercompany transactions and balances have been eliminated for consolidated financial statement purposes.

#### BASIS OF ACCOUNTING

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

#### CHANGE IN FISCAL YEAR

In March 2020, the Executive Board changed the Church's fiscal year end to September 30. Therefore, the consolidated financial statements presented for the year ended September 30, 2021 and period ended September 30, 2020, reflect the results of activity for the year and eight month period, respectively.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking, savings, and money market accounts. At times these balances may exceed federally insured limits. As of September 30, 2021 and 2020, the Church had cash on deposit that exceeded federally insured limits by \$882,225 and \$2,719,449, respectively. The Church has not experienced any losses on these accounts and does not believe it is exposed to any significant risk.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

1. SIGNIFICANT ACCOUNTING POLICIES, continued:

### INVESTMENTS

Investments, including investments whose use is limited, with readily determinable fair values are reported at fair value based on quoted market prices. Investments, including investments whose use is limited, in National Covenant Property (NCP) Certificates and NCP Demand Accounts are reported at cost plus accrued interest. Investment in Covenant Trust Company (CTC) is reported under the equity method. Investment income and realized and unrealized appreciation and depreciation are included in investment income in the consolidated statements of activities. Assets funding endowment net assets are included in investments on the consolidated statements of financial position.

### CONTRIBUTIONS AND BEQUESTS

Contributions and bequests are recorded at the time of notification of an unconditional promise from the donor and are classified as net assets without donor restrictions or net assets with donor restrictions (see Note 10). Net assets without donor restrictions are primarily derived from member churches, individual donors, and fees (see Note 8). Restricted contributions are received from member churches and individual donors in support of various ministries of the Church. Funds are raised by member churches, direct mailings to individuals, and promotion of ministry opportunities through the Church's web site. Contributions receivable represent amounts expected to be collected within less than one year.

### NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable consist of discretionary loans made to Covenant entities for building projects with related accrued interest and various receivables from other Covenant entities. All notes and accounts receivable are due on demand. The allowance for notes and accounts receivable is maintained at a level that, in management's judgment, is adequate to absorb probable losses.

### PROPERTY AND EQUIPMENT

Property and equipment in excess of \$5,000 are capitalized at cost, or if donated, at the fair market value on the date of the gift. Property and equipment is depreciated on a straight-line basis over their estimated useful lives, ranging from 5 to 50 years. Property donated with restrictions regarding its use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from net assets with donor restrictions to net assets without donor restrictions at that time.

### REAL ESTATE HELD FOR SALE

Real estate held for sale is initially reported at cost, if purchased, or fair value on the date of receipt as determined by appraisals and thereafter adjusted to estimated net realizable value. All real estate held for sale is actively marketed and is expected to be sold within one year. Subsequent gains from disposition of property held for sale are recorded as gain on sale of property in the period realized. Subsequent losses are recorded in the period when it is probable and able to be estimated.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

1. SIGNIFICANT ACCOUNTING POLICIES, continued:

### INSURANCE PAYABLE

Covenant Benefits Service (CBS), formerly named Bethany Benefit Service, an activity of the Church, administers the voluntary health (including medical, dental, prescription drug and vision), life, and long-term disability insurance plan for the denomination's ministers, missionaries, and staff. CBS collects and remits the benefit premiums on behalf of the participants. Amounts payable represent benefit premiums collected from participants not yet remitted to the insurance carrier at year-end as well as reserves allocated to CBS to cover future liabilities including claims incurred but not received.

### ANNUITY AGREEMENTS

The Church has an obligation to make payments under charitable gift annuity agreements. In accordance with various state regulations, the Church maintains separate trust funds as a reserve fund to meet the future payments under these agreements (see Note 13). Annuities payable are determined based upon the annuitants' ages and life expectancies using rates which comply with various state requirements. A discount rate of 7% and the Annuity 2015 Mortality Table were used in the valuation of the annuity agreements. Payouts are made for the life of the annuitants at rates ranging from 4.2% to 21.6% based on existing annuity agreements. The excess of amounts available to fund the annuities over the calculated amount of annuities payable is recorded as net assets with or without donor restrictions if the residual is available to the Church or as a liability if the residual is payable to others or other Covenant entities.

### DEFERRED INCOME

Deferred income includes monies received in advance for meetings and events, and payments received for subscriptions not yet mailed. In addition, deferred income includes grant funds received that have not yet been expended and are subject to certain conditions.

### CLASSES OF NET ASSETS

The consolidated financial statements report amounts separately by classes of net assets as follows:

*Net assets without donor restrictions* are those currently available at the discretion of the Executive Board for use in the Church's operations, those designated by the Board for specific purposes, and those resources invested in property and equipment.

*Net assets with donor restrictions* are those contributed with donors' restrictions for specific operating purposes or programs, or those with timing restrictions. They are not currently available for use in the Church's ministries until commitments regarding their use have been fulfilled. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Net assets with donor restrictions also include those restricted by donors in perpetuity. These assets are included with investments.



# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

### 1. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### EXPENSES

Expenses are recorded as incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities have been summarized on a functional basis in Note 14. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Advertising costs, if any, are expensed as incurred.

#### MEETINGS AND EVENTS

Meetings and events income and expenses include the activities of the Church's annual meeting and an annual conference held for Church pastors. Additionally, a women's conference is held every three years. Payments for these events are due prior to the events taking place, and revenue is recognized ratably over the event period, which typically range from 3-5 days. Sales revenue is recognized at the point of sale.

#### RECENTLY ADOPTED ACCOUNTING STANDARDS

As of October 1, 2020, the Church adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*. The new standard is designed to simplify the disclosures related to fair value measurements. Adoption of this standard had no effect on change in net assets or net assets in total.

As of October 1, 2020, the Church adopted the provisions of the FASB ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Following the adoption of the ASU, the Church continues to recognize revenue from program fees as services are provided, which corresponds to the year in which the related programs and services are rendered. There was no material impact to the consolidated financial statements as a result of adoption. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued consolidated financial statements. Additional disclosures regarding revenue accounting policies with regards to contracts were added.

#### RECLASSIFICATIONS

Certain prior year balances have been reclassified to conform with the current year presentation. Assets held for board designated purposes (consisting of cash totaling \$199,750 and investments totaling \$6,246,312) at September 30, 2020, were reclassified out of cash and cash equivalents and investments, respectively, and presented in a separate line item on the consolidated statements of financial position.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

2. INVESTMENTS AND INVESTMENTS WHOSE USE IS LIMITED:

Investments as of September 30, 2021 and 2020, consist of the following:

	2021	2020
Money Market Funds	\$ 1,899,776	\$ 2,977,008
NCP Demand Accounts	10,781,859	10,944,469
Equity:		
Mutual Funds	21,605,106	17,912,602
Other Assets Illiquid	4,078,318	2,809,298
Total Equity	25,683,424	20,721,900
Fixed Income:		
Mutual Funds	16,678,596	17,494,464
NCP Certificates	4,639,818	7,229,418
Total Fixed Income	21,318,414	24,723,882
Investment in CTC	2,507,166	1,738,939
 Total Investments	 \$ 62,190,639	 \$ 61,106,198

Investments as of September 30, 2021 and 2020, are reported on the consolidated statements of financial position as follows:

	2021	2020
Investments held for board designated purposes	\$ 5,979,297	\$ 6,246,312
Investments	56,211,342	54,859,886
 Total Investments	 \$ 62,190,639	 \$ 61,106,198

Investments, whose use is limited as of September 30, 2021 and 2020, consist of the following:

	2021	2020
Annuities:		
Money Market Funds	\$ 250,223	\$ 449,125
Equity Mutual Funds	2,974,651	3,522,665
Fixed Income:		
Bonds - US Government	2,800,726	3,125,616
Mutual Funds	486,198	487,198
Total Fixed Income	3,286,924	3,612,814
 Total Annuity Investments	 6,511,798	 7,584,604
 Investments Pledged - National Covenant Properties Certificates (see Note 6)	 1,256,546	 1,505,581
	\$ 7,768,344	\$ 9,090,185

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

2. INVESTMENTS AND INVESTMENTS WHOSE USE IS LIMITED, continued:

Investments in NCP Certificates bear interest at rates ranging from 0.75% to 3.5% and mature through 2026. Investments in NCP Demand Accounts bear interest at 0.75% and are redeemable on demand.

Investment in the CTC represents the Church's ownership interest in the CTC, which is equally owned with related parties North Park University and Covenant Ministries of Benevolence.

Fees paid for investments held and managed by the CTC were \$54,355 and \$52,579 for the year and eight months ended September 30, 2021 and 2020, respectively. Included in investment income is \$243,428 and \$157,575 of interest income earned from sources held at other than fair value for the year and eight months ended September 30, 2021 and 2020, respectively.

At September 30, 2021, approximately \$53.3 million of the Church's investment portfolio was held and managed by CTC and approximately \$16.7 million was held at NCP. While these assets are subject to investment risk, the Church has not incurred and does not expect to incur any losses related to the solvency of the entities themselves. The Church does not believe it is exposed to any significant risk of loss related to these entities.

3. FAIR VALUE MEASUREMENTS AND DISCLOSURES:

The Church uses appropriate valuation techniques to determine fair value based on inputs available using the hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring the investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The type of investments included in Level I are publicly traded securities.

Level II — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III — Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

3. FAIR VALUE MEASUREMENTS AND DISCLOSURES, continued:

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement and considers factors specific to the investment.

The following table summarizes the valuation of the Church's financial assets by the above fair value hierarchy levels as of September 30, 2021:

	Total	Level I	Level II	Level III
Investments at fair value:				
Money Market Funds	\$ 1,899,776	\$ 1,899,776	\$ -	\$ -
Equity:				
Mutual Funds	21,605,106	21,605,106	-	-
Other Assets Illiquid	4,078,318	-	-	4,078,318
Fixed Income Mutual Funds	16,678,596	16,678,596	-	-
Total investments at fair value	44,261,796	40,183,478	-	4,078,318
Investments carried at cost:				
NCP Demand Accounts	10,781,859			
NCP Certificates	4,639,818			
	15,421,677			
Investment in CTC	2,507,166			
 Total Investments	 \$ 62,190,639	 \$ 40,183,478	 \$ -	 \$ 4,078,318
 Investments whose use is limited at fair value:				
Money Market Funds	\$ 250,223	\$ 250,223	\$ -	\$ -
Equity Mutual Funds	2,974,651	2,974,651	-	-
Fixed Income:				
Bonds - US Government	2,800,726	-	2,800,726	-
Mutual Funds	486,198	-	486,198	-
Total investments whose use is limited at fair value	6,511,798	3,224,874	3,286,924	-
Investments whose use is limited at cost:				
NCP Certificates	1,256,546			
 Total investments whose use is limited	 \$ 7,768,344	 \$ 3,224,874	 \$ 3,286,924	 \$ -

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

3. FAIR VALUE MEASUREMENTS AND DISCLOSURES, continued:

The following table summarizes the valuation of the Church's financial assets by the above fair value hierarchy levels as of September 30, 2020:

	Total	Level I	Level II	Level III
Investments at fair value:				
Money Market Funds	\$ 2,977,008	\$ 2,977,008	\$ -	\$ -
Equity:				
Mutual Funds	17,912,602	17,912,602	-	-
Other Assets Illiquid	2,809,298	-	-	2,809,298
Fixed Income Mutual Funds	17,494,464	17,494,464	-	-
Total investments at fair value	41,193,372	38,384,074	-	2,809,298
Investments carried at cost:				
NCP Demand Accounts	10,944,469			
NCP Certificates	7,229,418			
	18,173,887			
Investment in CTC	1,738,939			
 Total Investments	 \$ 61,106,198	 \$ 38,384,074	 \$ -	 \$ 2,809,298
 Investments whose use is limited at fair value:				
Money Market Funds	\$ 449,125	\$ 449,125	\$ -	\$ -
Equity Mutual Funds	3,522,665	3,522,665	-	-
Fixed Income:				
Bonds - US Government	3,125,616	-	3,125,616	-
Mutual Funds	487,198	487,198	-	-
Total investments whose use is limited at fair value	7,584,604	4,458,988	3,125,616	-
Investments whose use is limited at cost:				
NCP Certificates	1,505,581			
 Total investments whose use is limited	 \$ 9,090,185	 \$ 4,458,988	 \$ 3,125,616	 \$ -

Investments in NCP Demand Accounts, NCP Certificates, and the investment in the CTC have been excluded from the fair value hierarchy as they are carried at cost, which approximates fair value.

Other assets illiquid consists of limited liability partnerships and are carried at fair value, as determined by the funds' general partners based on information provided by the funds' underlying professional managers. The funds do not allow for withdrawals of investments but will make distributions of its distributable cash flows to its limited partners over the estimated ten year life of the fund. The Church has an outstanding capital commitment of \$87,500 and \$87,500 as of September 30, 2021 and 2020, respectively. The Church made additional purchases of its limited partnership investments totaling \$0 and \$19,173 during the year and eight month period ended September 30, 2022 and 2021, respectively.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

### 4. PROPERTY AND EQUIPMENT:

Property and equipment at September 30, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Administrative office:		
Land	\$ 3,098,419	\$ 3,098,419
Building and improvements	8,013,581	8,013,581
Furniture, fixtures, equipment and vehicles	968,443	968,443
	<u>12,080,443</u>	<u>12,080,443</u>
Less accumulated depreciation	<u>(2,712,334)</u>	<u>(2,542,471)</u>
	<u>\$ 9,368,109</u>	<u>\$ 9,537,972</u>

### 5. LINES OF CREDIT AND NOTES PAYABLE:

The Church has a line of credit with NCP. As of September 30, 2021 and 2020, the available line of credit was \$2,500,000. At September 30, 2021 and 2020, the outstanding balance was \$600,000 and \$1,200,000, respectively. The interest rate is set at the prime rate, but in no event less than 4.0% per annum. At September 30, 2021 and 2020, the interest rate was 4.0%. This line of credit is payable on demand with sixty days written notice.

The Church also has a mortgage note payable with NCP on the building it now owns and occupies. This loan was refinanced in May 2019 at a total loan amount of \$2,680,000. As of September 30, 2021 and 2020, the outstanding balance on the mortgage note payable was \$2,389,562 and \$2,516,973, respectively. The initial interest rate was 4.75%. The interest rate was adjusted on May 1, 2020 and will be adjusted every twelve months thereafter. At September 30, 2021 and 2020, the interest rate was 3.875% and 4.25%, respectively. Under the refinanced loan terms, principal and interest is paid monthly in arrears in installments of \$18,792, based on the most recent interest rate adjustment. All unpaid principal and interest is due and payable on May 1, 2032. The note is secured with real estate.

During the year ended September 30, 2021, the Church acquired real estate located in Dolton, Illinois by assuming two related mortgage notes payable with NCP totaling \$1,298,049. One mortgage note payable in the amount of \$551,735 was subsequently paid off during the year ended September 30, 2021. As of September 30, 2021, the outstanding balance owed by the Church on the remaining mortgage note was \$744,991. At September 30, 2021, the mortgage note payable bore interest at 3.875%, subject to a rate adjustment every three years, and is due on February 28, 2035. Monthly payments of principal and interest totaling \$4,895 are required. This loan is secured by real estate.

During the year ended January 31, 2017, Bezalel, Inc. obtained a mortgage with NCP to acquire real estate in Dolton, IL. The original principal amount was not to exceed \$500,000. Interest, charged at prime rate, but no less than 4%, was added to the principal of the loan. At September 30, 2020, the interest rate was 4.0%. The mortgage balance of each property was due in full upon the sale of the property. The outstanding balance on the mortgage note payable was \$0 and \$663,399 as of September 30, 2021 and 2020, respectively. This note was secured with real estate.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

5. LINES OF CREDIT AND NOTES PAYABLE, continued:

During the year ended January 31, 2018, the Church started a program called CovScholars. The Church obtained a loan with NCP to be able to offer eligible Covenant Scholars interest free loans. The original principal amount for the ECC is not to exceed \$1,000,000. Interest, charged at prime rate, but no less than 4.0%, is added to the principal of the loan. At September 30, 2021 and 2020, the interest rate was 4.0%, and is due monthly. Principal payments will be due from the students commencing on the earlier of six months after completion of the coursework/graduation at North Park Theological Seminary or six months after ceasing to be enrolled at least half-time. The total outstanding as of September 30, 2021 and 2020, is \$225,600 and \$225,653, respectively.

During the year ended January 31, 2019, the Church established a \$1,000,000 line of credit with NCP in support of pastoral grantmaking. The interest rate is set at the prime rate, but in no event less than 4.0% per annum. At September 30, 2021 and 2020, the interest rate was 4.0%. This line of credit is payable on demand with sixty days written notice. The outstanding balance on the line of credit is \$292,295 and \$303,309 as of September 30, 2021 and 2020, respectively, and is secured by invested funds from proceeds of a grant from the Lilly

As part of the response to the impact of COVID-19, the Church applied for a Paycheck Protection Program (PPP) loan, administered by the Small Business Administration (SBA), under the CARES Act, which was signed into law in March 2020. The Church was approved for a loan in the amount of \$1,775,900 in May 2020. The PPP loan program provides for potential loan forgiveness up to the full amount of the loan provided the Church overcomes (meets) certain loan stipulations. The Church received notice from its lender in July 2021 that the full amount of the loan had been forgiven.

Principal payments on lines of credit and notes payable are due as follows for the years ending September 30:

2022	\$ 1,028,610
2023	141,692
2024	147,282
2025	153,092
2026	159,130
Thereafter	<u>2,622,642</u>
	<u>\$ 4,252,448</u>

Interest expense for the year ended September 30, 2021 and eight month period ended September 30, 2020, was \$114,884 and \$87,170 respectively.

### GUARANTOR OF DEBT

The Church is liable as joint guarantor, with the regional conferences, of various mortgage loans of local Covenant churches. As of September 30, 2021, the outstanding principal balance on these loans totaled \$66,422,956. These loans are secured by the related properties. The Church has pledged investments totaling \$1,256,546 as security for these loans. The mortgage loans have maturity dates ranging from on demand through the year 2050.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

### 6. COMMITMENTS AND CONTINGENCIES:

#### GUARANTOR OF DEBT, continued

The Church also guaranteed a mortgage loan to a local development company for its purchase of real property in Dolton, IL. The outstanding balance on this loan was \$250,000 as of September 30, 2020. The note was secured with a variable rate certificate in the principal amount of not less than \$200,000 and properties owned by the development company. The Church assumed this loan in July 2021, and paid the balance in full.

#### COVENANT AGREEMENTS

The Church participates in sponsoring various "Covenant Agreements" with regional church conferences. These intentions to give are not recorded in the consolidated financial statements because they only constitute expressions of intent to give where all discretion to transfer the resources rests with the Church. The Covenant Agreements provide support for pastor salaries and benefits at various member churches. There are no commitments beyond fiscal year 2026. The Church's planned expenditures under existing Covenant Agreements are as follows for the years ending September 30:

2022	\$ 653,197
2023	408,329
2024	181,718
2025	138,410
2026	<u>125,225</u>
	<u>\$ 1,506,879</u>

### 7. BENEFICIAL INTEREST OF GIFT INSTRUMENTS:

A source of funds to the Church is in the form of bequests from deceased church members and other parties. The Covenant Estate Planning Services, an affiliate of the Church, maintains information as to the estimated values of the Church's share of trusts and other estate planning mechanisms used by donors. Estimates of value as to the underlying assets of the trusts or other arrangements rely on quoted market prices in the case of stocks and other equity and traded debt securities, appraisal value (where available) for real property, and other reasonable estimates made by the trustees for specific assets.

Amounts related to irrevocable trusts for which the Church is named as beneficiary are reflected in the consolidated statements of financial position as Interest in Irrevocable Trusts. Trusts which name the Church as beneficiary, but which allow the beneficiary to be changed to a different Church-related entity at the discretion of the grantor, are not considered irrevocable for accounting purposes and, accordingly, have not been recorded in the consolidated financial statements. The Interest in Irrevocable Trusts becomes available to the Church upon death of the grantor. During the year ended September 30, 2021 and eight month period ended September 30, 2020, the Church was not the beneficiary of any new irrevocable trusts.



# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

8. FEES AND EXPENSE REIMBURSEMENTS:

The Church charges fees for administrative and management services provided to other Covenant institutions and funds of the Church. Fees are assessed monthly, and the Church recognizes revenue as the services are performed. Fees charged to related Covenant institutions and funds were \$3,904,879 and \$2,601,221 for the year ended September 30, 2021 and eight month period ended September 30, 2020, respectively. In addition, the Church recorded \$296,109 and \$181,568 for the year ended September 30, 2021 and eight month period ended September 30, 2020, respectively, as reimbursement of expenses incurred by the Church, which are reflected as a reduction of general administration expenditures in the consolidated statements of activities.

9. PENSION TRUST FUND:

The Church participates in two multiemployer plans. The risks of participating in these multiemployer plans differ from single-employer plans in the following aspects:

- a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employer.
- c) If the organization chooses to stop participating in the multiemployer plan, it may be required to pay to the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

All full-time ministers participate in the Covenant Pension Plan. This multiemployer plan, administered by the Board of Pensions and Benefits of the Evangelical Covenant Church, is noncontributory and provides defined benefits based on years of service and remuneration. Covenant ordained or licensed ministers serving full time in the denomination, in one of its conferences or in Covenant churches are required to participate in the Covenant Pension Plan. Full-time missionaries of the Covenant are also required to participate. The contribution rate is 12.5% of the annual compensation, including housing allowances, of participating personnel. Participants with five years of service are entitled to pension benefits upon retirement. Pension benefits are paid monthly and are based on length of service and compensation. Pension expense, representing the Church's required contribution to the Covenant Pension Plan, was \$538,030 and \$403,438 for the year and eight months year ended September 30, 2021 and 2020, respectively. The contributions made by the Church represented approximately 8% and 5% of the total contributions made to the Covenant Pension Plan in 2021 and 2020, respectively. To the extent the Covenant Pension Plan is underfunded, future contributions to the Plan may increase.

The Covenant Pension Plan is not an Employee Retirement Income Security Act (ERISA) Plan and is not required to file Form 5500. The Covenant Pension Plan's fiscal year is January 1 to December 31.

Total contributions from all employers to the Plan for the years ended December 31, 2021 and 2020, are as follows:

<u>Pension Fund</u>	<u>FEIN</u>	<u>2021</u>	<u>2020</u>
Covenant Pension Plan	36-3065447	\$ 6,747,011	\$ 7,618,953

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

9. PENSION TRUST FUND, continued:

As of December 31, 2021, the Covenant Pension Plan's total net assets available for benefits were \$306,843,183 and the actuarial present value of accumulated plan benefits was \$260,689,484. As of December 31, 2020, the Covenant Pension Plan's total net assets available for benefits were \$272,741,488 and the actuarial present value of accumulated plan benefits was \$256,243,955. As of December 31, 2021, the Plan was 100% funded, based on the church plan assumptions utilized by management.

Lay employees of the Church hired before May 2013 participate in The Evangelical Covenant Church Lay Pension Plan (the "Lay Plan"). This multiemployer plan, administered by the Church, is noncontributory and provides defined benefits based on years of service and remuneration near retirement. This Lay Plan was previously a part of The Evangelical Covenant Church Retirement Plan (the "Plan") and was administered by the Board of Benevolence of the Evangelical Covenant Church. The Lay Plan began operations on January 1, 2014.

Eligible employees are all lay employees of the Church and its related entities. Participants with five years of service are entitled to pension benefits upon retirement. Retirement benefits are paid to pensioners or beneficiaries in various forms of joint and survivor annuities, including a lump-sum payment option if the earned benefit is less than \$10,000. Pension expense, representing the Church's required contribution to the Lay Plan, was \$62,526 and \$353,199 for the year ended September 30, 2021 and eight month period ended September 30, 2020, respectively. The contributions made by the Church represented approximately 67% and 63% of the total contributions made to the Lay Plan in 2021 and 2020, respectively. To the extent the Lay Plan is underfunded, future contributions to the Lay Plan may increase. Effective December 31, 2021, the Lay Plan was frozen.

The Lay Plan is a Church plan (not an ERISA Plan) and is not required to file Form 5500. The Plan's fiscal year is from January 1 to December 31.

Total contributions from all employers to the Lay Plan for the years ended December 31, 2021 and 2020, are as follows:

<u>Pension Fund</u>	<u>FEIN</u>	<u>2021</u>	<u>2020</u>
Evangelical Covenant Church Lay Pension Plan	46-4271385	\$ 93,233	\$ 556,659

As of December 31, 2021, the Lay Plan's total net assets available for benefits were \$12,732,033 and the actuarial present value of accumulated plan benefits was \$10,376,206. As of December 31, 2020, the Lay Plan's total net assets available for benefits were \$11,506,542 and the actuarial present value of accumulated plan benefits was \$10,266,094. As of December 31, 2021, the Plan was 100% funded, based on the Church Plan assumptions utilized by management.

Full-time employees hired in May 2013 or thereafter are covered under a 403(b) contributory plan. The Church contributed \$262,605 and \$144,365 to the 403(b) contributory plan in the year ended September 30, 2021 and eight month period ended September 30, 2020, respectively. As the 403(b) plan covers employees of other institutions, asset and benefit information applicable to the Church is not available.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

### 10. NET ASSETS:

Net assets at September 30, 2021 and 2020, consist of the following:

	2021	2020
Net assets without donor restrictions:		
Undesignated	\$ 19,792,792	\$ 16,052,173
Board designated for Financial Relief Initiative program	6,243,284	6,446,062
	26,036,076	22,498,235
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Kingdom Builders Frontier Friends	329,973	322,601
Friends of World Mission	590,236	618,988
CovKids	305,535	287,988
Serve Globally	1,395,199	1,447,315
Covenant World Relief	567,559	557,332
Start & Strengthen Churches	692,932	258,605
Short-Term Missionaries	1,585,072	1,438,751
Make & Deepen Disciples	521,752	529,994
Sustaining Pastoral Excellence	352,964	354,878
Domestic Disaster Response	576,043	577,058
CovEnterprises	87,968	93,270
Annuity agreements	251,756	352,815
Other	1,638,151	1,299,009
	8,895,140	8,138,604
Subject to the passage of time:		
Irrevocable trusts	726,606	809,528
Subject to the Church's spending policy and appropriations:		
Term endowments:		
Start & Strengthen Churches	11,062,950	11,457,174
Covenant World Relief	2,665,938	2,248,629
Other	339,484	269,767
Endowment funds restricted in perpetuity	2,480,791	2,220,797
	16,549,163	16,196,367
Total net assets with donor restrictions	26,170,909	25,144,499
Total net assets	\$ 52,206,985	\$ 47,642,734

The Church's governing board, through specific action, has created self-imposed limits on net assets without donor restrictions. The board has set aside \$6,243,284 and \$6,446,062 for its Financial Relief Initiative program as of September 30, 2021 and 2020, respectively. These net assets can be drawn upon if the board approves such action.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

### 11. ENDOWMENT FUNDS:

The Church's endowment net assets consist of separate investment accounts established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Most of the Church's endowment funds required to be held in perpetuity are in the Covenant Endowment Trust (CET). CET is managed by the CTC as Trustee. It was created as a supporting organization to provide for the orderly investment and management of gifts with a permanent donor restriction to be consistent with the donor's charitable purposes and objectives for the benefit of the Church, all its churches and all organizations affiliated with it. While it contains gifts for the Church, the majority of the fund is for the benefit of other Covenant entities. The Church's endowment net assets also include invested funds held under term agreements for Start & Strengthen Churches and Covenant World Relief.

The Church has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor funds with a permanent restriction absent explicit donor stipulations to the contrary. As a result of this interpretation, the Church classifies as net assets restricted in perpetuity (a) the original value of gifts, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the fund with donor restrictions that is not classified in net assets restricted in perpetuity is classified as net assets restricted by purpose or time until those amounts are appropriated for expenditure by the Church in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- 1 The duration and preservation of the fund.
- 2 The purposes of the organization and the donor-restricted fund.
- 3 General economic conditions.
- 4 The possible effect of inflation and deflation.
- 5 The expected total return from income and appreciation of investments.
- 6 Other resources of the organization.
- 7 The investment policies of the organization.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

11. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended September 30, 2021:

	With Donor Restrictions			Total Funds
	Perpetual Endowments	Term Endowments	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 2,220,797	\$ 13,975,570	\$ 16,196,367	\$ 16,196,367
Investment return, net	233,994	1,284,465	1,518,459	1,518,459
Contributions	26,000	810,256	836,256	836,256
Amounts appropriated for expenditures	-	(2,001,919)	(2,001,919)	(2,001,919)
	259,994	92,802	352,796	352,796
Endowment net assets, end of year	\$ 2,480,791	\$ 14,068,372	\$ 16,549,163	\$ 16,549,163

Changes in endowment net assets for the eight month period ended September 30, 2020:

	With Donor Restrictions			Total Funds
	Perpetual Endowments	Term Endowments	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 2,236,520	\$ 13,709,889	\$ 15,946,409	\$ 15,946,409
Investment return, net	(27,746)	210,391	182,645	182,645
Contributions	12,023	1,160,790	1,172,813	1,172,813
Amounts appropriated for expenditures	-	(1,105,500)	(1,105,500)	(1,105,500)
	(15,723)	265,681	249,958	249,958
Endowment net assets - end of year	\$ 2,220,797	\$ 13,975,570	\$ 16,196,367	\$ 16,196,367

*Funds with Deficiencies:* From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Church to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2021 and 2020.

*Return Objectives and Risk Parameters:* The Church has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the assets. Endowment net assets include those assets of donor-restricted funds that the Church must hold in perpetuity and those assets that the Church must hold for donor-specified periods or purposes along with related investment earnings.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

### 11. ENDOWMENT FUNDS, continued:

*Strategies Employed for Achieving Objectives:* To satisfy its long-term rate-of-return objectives, the Church relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

*Spending Policy:* Distributions are made from CET at the rate of 5% annually with payments being made quarterly. The distribution is made first from income and to the extent that income is insufficient, from principal.

### 12. SUPPLEMENTAL RETIREMENT BENEFITS:

Based on resolutions adopted by the Executive Board of the Church, the Church provides supplemental retirement benefit payments to several former employees. The Church has accrued a liability of \$541,647 and \$575,308 at September 30, 2021 and 2020, respectively, to fund these payments. The liability is estimated based on life expectancy of former employees and a discount rate of 7% at September 30, 2021 and 2020. During the year ended September 30, 2021 and eight month period ended September 30, 2020, the supplemental retirement benefit payments were \$89,893 and \$59,928, respectively.

### 13. ANNUITY AGREEMENTS:

The Church has an obligation to make payments under charitable gift annuity agreements. In accordance with various state regulations, the Church maintains separate trust funds as a reserve to meet the future payments under these agreements.

Annuity agreement information at September 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Assets - investments designated for annuity agreements	\$ 6,511,798	\$ 7,584,604
Liabilities and net assets:		
Liabilities:		
Annuities payable	743,387	841,588
Due to other Covenant entities	5,558,852	6,418,274
Total Liabilities	<u>6,302,239</u>	<u>7,259,862</u>
Net assets:		
Without donor restrictions	(42,197)	(28,072)
With donor restrictions for annuity agreements	251,756	352,815
Total Net Assets	<u>209,559</u>	<u>324,743</u>
Total liabilities and net assets	<u>\$ 6,511,798</u>	<u>\$ 7,584,605</u>

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

14. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various program services and supporting activities have been summarized below on a functional basis. Accordingly, certain costs have been allocated among the program services and supporting activities for the years ended September 30, 2021 and 2020. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, travel, conferences and meetings, professional fees, board expense, and certain office expenses, which are allocated on the basis of estimates of time and effort, as well as certain occupancy costs, which are allocated on a square footage basis.

	Year Ended September 30, 2021											
	Program Services						Supporting Activities				Total Expenses	
	Start & Strengthen Churches	Make & Deepen Disciples	Develop Leaders	Love Mercy Do Justice	Serve Globally	General Mission	Total	Communications	Management & General	Fundraising		Total
Support to global and local partners	\$ 3,675,999	\$ 105,913	\$ 1,571,129	\$ 537,212	\$ 4,370,789	\$ 136,044	\$ 10,397,086	\$ -	\$ -	\$ -	\$ -	\$ 10,397,086
Salaries and benefits	772,036	527,796	866,167	530,028	4,799,802	-	7,495,829	957,404	2,724,007	685,016	4,366,427	11,862,256
Travel	25,496	10,030	29,269	5,945	93,225	-	163,965	6,975	79,583	44,124	130,682	294,647
Office and occupancy	111,028	88,560	125,090	61,292	212,371	-	598,341	314,039	535,618	138,218	987,875	1,586,216
Publications, printing and publicity	5,547	792	3,116	148	77,978	-	87,581	64,239	138,730	63,822	266,791	354,372
Conferences and meetings	-	3	2,435	-	-	-	2,438	-	109,933	1,395	111,328	113,766
Professional fees	-	-	-	-	3,207	-	3,207	166,826	57,698	-	224,524	227,731
Board expense	709	709	709	709	7,379	-	10,215	-	65,384	-	65,384	75,599
Interest	-	-	-	-	-	-	-	-	114,884	-	114,884	114,884
Depreciation	-	-	-	-	-	-	-	-	169,863	-	169,863	169,863
<b>Total Expenses</b>	<b>\$ 4,590,815</b>	<b>\$ 733,803</b>	<b>\$ 2,597,915</b>	<b>\$ 1,135,334</b>	<b>\$ 9,564,751</b>	<b>\$ 136,044</b>	<b>\$ 18,758,662</b>	<b>\$ 1,509,483</b>	<b>\$ 3,995,700</b>	<b>\$ 932,575</b>	<b>\$ 6,437,758</b>	<b>\$ 25,196,420</b>

	Eight Month Period Ended September 30, 2020											
	Program Services						Supporting Activities				Total Expenses	
	Start & Strengthen Churches	Make & Deepen Disciples	Develop Leaders	Love Mercy Do Justice	Serve Globally	General Mission	Total	Communications	Management & General	Fundraising		Total
Support to global and local partners	\$ 2,511,365	\$ 43,771	\$ 1,194,307	\$ 153,876	\$ 3,127,189	\$ 87,119	\$ 7,117,627	\$ -	\$ -	\$ -	\$ -	\$ 7,117,627
Salaries and benefits	494,580	445,160	511,659	346,461	3,128,102	-	4,925,962	512,742	2,103,590	327,331	2,943,663	7,869,625
Travel	16,738	9,237	4,119	4,824	98,289	-	133,207	2,109	7,436	7,551	17,096	150,303
Office and occupancy	109,287	77,681	65,310	33,033	138,082	-	423,393	159,275	225,966	67,674	452,915	876,308
Publications, printing and publicity	182	3,941	1,036	1,287	35,043	-	41,489	52,702	18,395	20,645	91,742	133,231
Conferences and meetings	-	36,166	-	-	-	-	36,166	-	-	-	-	36,166
Professional fees	-	-	-	-	40,000	-	40,000	108,970	106,911	-	215,881	255,881
Board expense	887	889	697	498	3,914	-	6,885	441	17,533	-	17,974	24,859
Interest	-	-	-	-	-	-	-	-	87,170	-	87,170	87,170
Depreciation	-	-	-	-	-	-	-	-	173,323	-	173,323	173,323
<b>Total Expenses</b>	<b>\$ 3,133,039</b>	<b>\$ 616,845</b>	<b>\$ 1,777,128</b>	<b>\$ 539,979</b>	<b>\$ 6,570,619</b>	<b>\$ 87,119</b>	<b>\$ 12,724,729</b>	<b>\$ 836,239</b>	<b>\$ 2,740,324</b>	<b>\$ 423,201</b>	<b>\$ 3,999,764</b>	<b>\$ 16,724,493</b>

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

### 15. REAL ESTATE HELD FOR SALE:

Real estate at September 30, 2021, consists of property located in Dolton, Illinois, and real estate at September 30, 2020, consisted of property held under the Bezalel, LLC ministry. During the year ended September 30, 2021, pursuant to an agreement with NCP and New Zion Christian Fellowship Church, the Church acquired title to real property in Dolton, Illinois valued at \$815,388, and assumed the two underlying loans with NCP.

Bezalel Inc. purchased property in Dolton, Illinois to acquire and renovate homes for community families as part of the Church's initiative of community development. As of September 30, 2021 and 2020, the recorded value of the property was \$0 and \$592,719, respectively. These properties were sold during the year ended September 30, 2021, for net proceeds totaling \$426,099, resulting in a loss on sale totaling approximately \$166,620.

### 16. TRANSACTIONS WITH AFFILIATED ENTITIES:

In addition to the transactions with affiliated entities noted elsewhere, the following were also noted:

The Church gifted approximately \$1,073,000 and \$667,000 to an affiliated organization during the year and eight months ended September 30, 2021 and 2020, respectively. The Church also received approximately \$255,000 and \$170,000 from this affiliated organization for administrative and management services provided during the year and eight months ended September 30, 2021 and 2020, respectively.

The Church received \$0 and \$7,000,000 in contributions from an affiliated organization during the year and eight months ended September 30, 2021 and 2020, respectively, that was designated by the Church board for the Financial Relief Initiative program. The Church also received \$1,512,000 and \$1,008,000 from this affiliated organization for administrative and management services provided during the year and eight months ended September 30, 2021 and 2020, respectively.

The Church received approximately \$495,000 and \$328,000 from an affiliated organization for administrative and management services provided during the year and eight months ended September 30, 2021 and 2020, respectively.

The Church received \$60,000 and \$40,000 from an affiliated organization for administrative and management services provided during the year and eight months ended September 30, 2021 and 2020, respectively.



# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

### 17. LIQUIDITY AND FUNDS AVAILABLE:

As part of the Church's liquidity management, it invests cash in excess of daily requirement in investments. There is an established fund designated by management with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, the Church could also draw upon its \$2,500,000 operating line of credit (as further discussed in Note 5), of which \$600,000 and \$1,200,000 was outstanding at September 30, 2021 and 2020, respectively.

The following reflects the Church's financial assets as of the balance sheet date, including amounts not available within one year of the balance sheet date. Amounts not available include amounts illiquid or not convertible to cash within one year, perpetual and term endowments and accumulated earnings subject to appropriation beyond one year, contractual or donor-imposed restrictions, or because the board has set aside funds for specific projects. These board designations could be drawn upon if the board approves that action.

	<u>September 30,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 1,459,455	\$ 3,032,897
Assets held for board designated purposes:		
Cash and cash equivalents	263,987	199,750
Investments	5,979,297	6,246,312
Notes and accounts receivable	4,382,357	3,806,403
Investments	56,211,342	54,859,886
Investments whose use is limited	7,768,344	9,090,185
	<u>76,064,782</u>	<u>77,235,433</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Board designated for Financial Relief Initiative program	(6,243,284)	(6,446,062)
Restricted by donor with time or purpose restrictions	(8,895,140)	(8,138,604)
Investments held in annuities	(6,511,798)	(7,584,604)
Investments pledged	(1,256,546)	(1,505,581)
Endowment funds restricted in perpetuity	(2,480,791)	(2,220,797)
Investments not convertible to cash within next 12 months	(6,585,484)	(4,548,237)
Term endowment funds, primarily for long-term investing	<u>(14,068,372)</u>	<u>(13,975,570)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 30,023,367</u>	<u>\$ 32,815,978</u>

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2021 and 2020

18. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Church for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

19. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 14, 2022, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

## **SUPPLEMENTARY DATA**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY DATA**

To the Executive Board of  
The Evangelical Covenant Church  
Chicago, Illinois

We have audited the consolidated financial statements of The Evangelical Covenant Church as of and for the year ended September 30, 2021 and eight months ended September 30, 2020, and our report thereon dated December 14, 2022, which expresses an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position on page 29 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Capin Crouse LLP*

Naperville, Illinois  
December 14, 2022

# THE EVANGELICAL COVENANT CHURCH

## Consolidating Statements of Financial Position

	Year Ended September 30,									
	2021					2020				
	The Evangelical Covenant Church	Bezalel, Inc.	CovScholars, LLC	Eliminations	Consolidated Totals	The Evangelical Covenant Church	Bezalel, Inc.	CovScholars, LLC	Eliminations	Consolidated Totals
<b>ASSETS:</b>										
Cash and cash equivalents	\$ 1,459,455	\$ -	\$ -	\$ -	\$ 1,459,455	\$ 3,032,897	\$ -	\$ -	\$ -	\$ 3,032,897
Assets held for board designated purposes:										
Cash and cash equivalents	263,987	-	-	-	263,987	199,750	-	-	-	199,750
Investments	5,979,297	-	-	-	5,979,297	6,246,312	-	-	-	6,246,312
Prepaid expenses and other assets	108,206	-	-	-	108,206	123,580	-	-	-	123,580
Notes and accounts receivable:										
Churches and other affiliates, net	1,893,313	-	-	-	1,893,313	1,311,651	-	-	-	1,311,651
Other Covenant entities	2,216,754	-	-	-	2,216,754	2,187,302	-	-	-	2,187,302
Other	272,290	-	-	-	272,290	273,285	34,165	-	-	307,450
Real estate held for sale	815,388	-	-	-	815,388	-	592,719	-	-	592,719
Investments	56,211,342	-	-	-	56,211,342	54,859,886	-	-	-	54,859,886
Investments whose use is limited:										
Annuities	6,511,798	-	-	-	6,511,798	7,584,604	-	-	-	7,584,604
Investments pledged	1,256,546	-	-	-	1,256,546	1,505,581	-	-	-	1,505,581
Property and equipment, net	9,368,109	-	-	-	9,368,109	9,537,972	-	-	-	9,537,972
Interest in irrevocable trusts	726,606	-	-	-	726,606	809,528	-	-	-	809,528
<b>Total Assets</b>	<b>\$ 87,083,091</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$87,083,091</b>	<b>\$ 87,672,348</b>	<b>\$ 626,884</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$88,299,232</b>
<b>LIABILITIES:</b>										
Accounts payable and accrued expenses	\$ 2,532,597	\$ -	\$ -	\$ -	\$ 2,532,597	\$ 2,380,917	\$ 6,804	\$ -	\$ -	\$ 2,387,721
Deferred income	1,566,475	-	-	-	1,566,475	1,750,758	-	-	-	1,750,758
Insurance payable	19,680,700	-	-	-	19,680,700	21,997,615	-	-	-	21,997,615
Lines of credit and notes payable	4,026,848	-	225,600	-	4,252,448	5,796,182	663,399	225,653	-	6,685,234
Supplemental retirement benefits payable	541,647	-	-	-	541,647	575,308	-	-	-	575,308
Annuities:										
Annuities payable	743,387	-	-	-	743,387	841,588	-	-	-	841,588
Due to other Covenant entities	5,558,852	-	-	-	5,558,852	6,418,274	-	-	-	6,418,274
<b>Total Liabilities</b>	<b>\$ 34,650,506</b>	<b>\$ -</b>	<b>\$ 225,600</b>	<b>\$ -</b>	<b>\$ 34,876,106</b>	<b>\$ 39,760,642</b>	<b>\$ 670,203</b>	<b>\$ 225,653</b>	<b>\$ -</b>	<b>\$ 40,656,498</b>
<b>NET ASSETS:</b>										
Without donor restrictions	26,261,676	-	(225,600)	-	26,036,076	22,767,207	(43,319)	(225,653)	-	22,498,235
With donor restrictions	26,170,909	-	-	-	26,170,909	25,144,499	-	-	-	25,144,499
<b>Total Net Assets</b>	<b>\$ 52,432,585</b>	<b>\$ -</b>	<b>\$ (225,600)</b>	<b>\$ -</b>	<b>\$ 52,206,985</b>	<b>\$ 47,911,706</b>	<b>\$ (43,319)</b>	<b>\$ (225,653)</b>	<b>\$ -</b>	<b>\$ 47,642,734</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 87,083,091</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$87,083,091</b>	<b>\$ 87,672,348</b>	<b>\$ 626,884</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$88,299,232</b>

See notes to consolidated financial statements