

# THE EVANGELICAL COVENANT CHURCH

Consolidated Financial Statements  
With Independent Auditors' Report

September 30, 2023 and 2022

# THE EVANGELICAL COVENANT CHURCH

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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

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, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Evangelical Covenant Church as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Evangelical Covenant Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the 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, and for 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.

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

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Evangelical Covenant Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Evangelical Covenant Church's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Supplementary Information***

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 3.6% of The Evangelical Covenant Church's total assets and 17.5% 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.

*Capin Crouse LLP*

# THE EVANGELICAL COVENANT CHURCH

## Consolidated Statements of Financial Position

	September 30,	
	2023	2022
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,406,359	\$ 1,369,643
Assets held for board designated purposes:		
Cash and cash equivalents	276,342	276,342
Investments	5,939,308	5,939,308
Prepaid expenses and other assets	130,917	109,812
Notes and accounts receivable:		
Churches and other affiliates (net of allowance of \$25,000 at September 30, 2023 and 2022)	1,353,048	1,411,363
Other Covenant entities	1,411,374	3,096,826
Other	356,958	446,226
Real estate held for sale (Note 15)	-	815,388
Investments (Note 2)	40,609,013	43,962,955
Investments whose use is limited (Note 2):		
Annuities	5,742,239	5,208,903
Investments pledged	1,328,514	1,295,471
Property and equipment, net (Note 4)	9,328,462	9,201,405
Interest in irrevocable trusts (Note 7)	629,386	583,733
	<u>\$ 69,511,920</u>	<u>\$ 73,717,375</u>
<b>Total Assets</b>		
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,175,584	\$ 2,205,401
Deferred income	735,142	1,375,576
Insurance payable	12,221,292	15,973,272
Lines of credit and notes payable (Note 5)	2,113,636	3,620,726
Supplemental retirement benefits payable (Note 12)	515,342	625,828
Annuities (Note 13):		
Annuities payable	715,603	699,286
Due to other Covenant entities	4,832,068	4,482,097
Total liabilities	<u>23,308,667</u>	<u>28,982,186</u>
Net assets:		
Without donor restrictions	23,586,717	22,477,319
With donor restrictions (Note 10)	22,616,536	22,257,870
Total net assets	<u>46,203,253</u>	<u>44,735,189</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 69,511,920</u>	<u>\$ 73,717,375</u>

See notes to consolidated financial statements

# THE EVANGELICAL COVENANT CHURCH

## Consolidated Statements of Activities

	Year Ended September 30,				
	2023		2022		
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
	Total	Total	Total	Total	
<b>SUPPORT AND REVENUE:</b>					
Church giving	\$ 4,378,662	\$ 3,429,995	\$ 7,808,657	\$ 4,595,214	\$ 8,048,878
Fees	3,957,343	-	3,957,343	3,944,599	3,944,599
Contributions	1,511,868	5,381,982	6,893,850	1,757,391	7,947,011
Meetings and events	529,406	-	529,406	500,740	500,740
Communication sales	164,338	-	164,338	183,183	183,183
Bequests	1,473,874	-	1,473,874	1,572,214	1,572,214
Loss on sale of real estate held for sale	(790,296)	-	(790,296)	-	-
Grant revenue	1,629,655	-	1,629,655	-	-
Other	139,775	2,606,030	2,745,805	117,085	1,358,909
Investment income (loss) net of fees	1,837,476	1,047,324	2,884,800	(2,488,761)	(4,425,416)
Change in value of annuities and interest in irrevocable trusts	137,169	(57,131)	80,038	(76,426)	(325,379)
Total Support and Revenue	<u>14,969,270</u>	<u>12,408,200</u>	<u>27,377,470</u>	<u>10,105,239</u>	<u>18,804,739</u>
Net Assets Released From Restrictions:	12,049,534	(12,049,534)	-	12,612,539	-
	<u>27,018,804</u>	<u>358,666</u>	<u>27,377,470</u>	<u>22,717,778</u>	<u>18,804,739</u>
<b>EXPENSES:</b>					
Start & Strengthen Churches	4,163,532	-	4,163,532	3,838,117	3,838,117
Make & Deepen Disciples	733,303	-	733,303	702,910	702,910
Develop Leaders	3,229,328	-	3,229,328	3,283,705	3,283,705
Love Mercy, Do Justice	891,556	-	891,556	795,360	795,360
Serve Globally	9,981,823	-	9,981,823	10,034,430	10,034,430
General Mission	87,800	-	87,800	114,401	114,401
Communication	1,309,245	-	1,309,245	1,454,684	1,454,684
General administration	4,515,551	-	4,515,551	5,081,659	5,081,659
Fundraising	997,268	-	997,268	971,269	971,269
Total Expenses	<u>25,909,406</u>	<u>-</u>	<u>25,909,406</u>	<u>26,276,535</u>	<u>26,276,535</u>
Changes in Net Assets	1,109,398	358,666	1,468,064	(3,558,757)	(7,471,796)
Net Assets, Beginning of Year	<u>22,477,319</u>	<u>22,257,870</u>	<u>44,735,189</u>	<u>26,036,076</u>	<u>52,206,985</u>
Net Assets, End of Year	<u>\$ 23,586,717</u>	<u>\$ 22,616,536</u>	<u>\$ 46,203,253</u>	<u>\$ 22,477,319</u>	<u>\$ 44,735,189</u>

See notes to consolidated financial statements

# THE EVANGELICAL COVENANT CHURCH

## Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2023	'2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,468,064	\$ (7,471,796)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	161,238	166,704
Unrealized (gain) loss on investments	(2,783,220)	8,690,238
Unrealized (appreciation) depreciation on annuity investments	(24,104)	18,259
Loss (gain) on sale of investments	209,718	(800,667)
Gain on sale of annuity investments	(9,360)	(3,465)
Loss on sale of real estate held for sale	790,296	-
Annuity payments	75,363	215,861
Actuarial change in annuities	(63,619)	(45,020)
Change in interest in irrevocable trusts	(45,653)	142,873
Increase (decrease) in reserve for accounts receivable	46,075	-
Bad debt loss	125,000	-
Contributions restricted for investment in endowment	(1,570,446)	(1,009,740)
Changes in:		
Accounts receivable	1,657,270	(572,058)
Prepaid expenses and other assets	(21,105)	(1,606)
Accounts payable and accrued expenses	(29,817)	(327,196)
Insurance payable	(3,751,980)	(3,707,428)
Supplemental retirement benefits payable	(110,486)	84,181
Deferred income	(640,434)	(190,899)
Net Cash Used by Operating Activities	(4,517,200)	(4,811,759)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(288,295)	-
Purchases of investments	(5,394,377)	(9,346,665)
Proceeds from sale and maturity of investments	11,288,778	13,595,238
Purchase of investments restricted for annuities	(207,492)	-
Proceeds from sale and maturity of investments restricted for annuities	57,591	211,344
Proceeds from sale of property held for sale	25,092	-
Disbursements under notes receivable	(1,399,430)	(1,758,386)
Collections on notes receivable	1,404,120	1,869,695
Net Cash Provided by Investing Activities	5,485,987	4,571,226
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for investment in endowment	1,570,446	1,009,740
Borrowings from lines of credit and notes payable	71,911	312,017
Repayments from lines of credit and notes payable	(1,579,001)	(943,739)
Annuity payments	(75,363)	(215,861)
New annuity agreements	212,599	1,389
Gift portion of new annuity agreements	(132,663)	(470)
Net Cash Provided by Financing Activities	67,929	163,076
Net Increase (Decrease) in Cash and Cash Equivalents	1,036,716	(77,457)
Cash and Cash Equivalents, Beginning of Year	1,645,985	1,723,442
Cash and Cash Equivalents, End of Year	\$ 2,682,701	\$ 1,645,985

(continued)

See notes to consolidated financial statements

# THE EVANGELICAL COVENANT CHURCH

## Consolidated Statements of Cash Flows (continued)

	Year Ended September 30,	
	2023	2022
Cash and cash equivalents consist of the following:		
Cash and cash equivalents	\$ 2,406,359	\$ 1,369,643
Cash and cash equivalents held for board designated purposes	276,342	276,342
	<u>\$ 2,682,701</u>	<u>\$ 1,645,985</u>
 SUPPLEMENTAL INFORMATION:		
Cash paid for interest	<u>\$ 147,813</u>	<u>\$ 135,436</u>

See notes to consolidated financial statements



# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

### 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.

#### 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, 2023 and 2022, the Church had cash on deposit that exceeded federally insured limits by \$2,270,736 and \$924,751, respectively.

#### 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.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

### 1. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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 website. 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.

#### 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.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

1. SIGNIFICANT ACCOUNTING POLICIES, continued:

### 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.

### 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.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

2. INVESTMENTS AND INVESTMENTS WHOSE USE IS LIMITED:

Investments as of September 30, 2023 and 2022, consist of the following:

	2023	2022
Money Market Funds	\$ 1,174,971	\$ 1,734,138
NCP Demand Accounts	8,740,774	8,640,108
Equity:		
Mutual Funds	15,074,753	15,432,115
Other Assets Illiquid	2,632,491	2,676,739
Total Equity	17,707,244	18,108,854
Fixed Income:		
Mutual Funds	12,875,161	15,208,279
NCP Certificates	3,549,379	4,000,690
Total Fixed Income	16,424,540	19,208,969
Investment in CTC	2,500,792	2,210,194
 Total Investments	 \$ 46,548,321	 \$ 49,902,263

Investments as of September 30, 2023 and 2022, are reported on the consolidated statements of financial position as follows:

	2023	2022
Investments held for board designated purposes	\$ 5,939,308	\$ 5,939,308
Investments	40,609,013	43,962,955
 Total Investments	 \$ 46,548,321	 \$ 49,902,263

Investments, whose use is limited as of September 30, 2023 and 2022, consist of the following:

	2023	2022
Annuities:		
Money Market Funds	\$ 228,725	\$ 213,340
Equity Mutual Funds	2,277,476	2,049,359
Fixed Income:		
Bonds - US Government	2,696,862	2,626,760
Mutual Funds	539,176	319,444
Total Fixed Income	3,236,038	2,946,204
 Total Annuity Investments	 5,742,239	 5,208,903
 Investments Pledged - National Covenant Properties Certificates (see Note 6)	 1,328,514	 1,295,471
	\$ 7,070,753	\$ 6,504,374

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

Investments in NCP Certificates bear interest at rates ranging from 1.75% to 4.5% and mature through 2026. Investments in NCP Demand Accounts bear interest at 1.75% and are redeemable on demand.

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

Fees paid for investments held and managed by CTC were \$175,556 and \$176,153 for the years ended September 30, 2023 and 2022, respectively. Included in investment income is \$242,212 and \$166,356 of interest income earned from sources held at other than fair value for the years ended September 30, 2023 and 2022, respectively.

At September 30, 2023, approximately \$40 million of the Church's investment portfolio was held and managed by CTC and approximately \$13.6 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

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, 2023 and 2022

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, 2023:

	Total	Level I	Level II	Level III
Investments at fair value:				
Money Market Funds	\$ 1,174,971	\$ 1,174,971	\$ -	\$ -
Equity:				
Mutual Funds	15,074,753	15,074,753	-	-
Other Assets Illiquid	2,632,491	-	-	2,632,491
Fixed Income Mutual Funds	12,875,161	12,875,161	-	-
Total investments at fair value	31,757,376	29,124,885	-	2,632,491
Investments carried at cost:				
NCP Demand Accounts	8,740,774			
NCP Certificates	3,549,379			
	12,290,153			
Investment in CTC	2,500,792			
 Total Investments	 \$ 46,548,321	 \$ 29,124,885	 \$ -	 \$ 2,632,491
 Investments whose use is limited at fair value:				
Money Market Funds	\$ 228,725	\$ 228,725	\$ -	\$ -
Equity Mutual Funds	2,277,476	2,277,476	-	-
Fixed Income:				
Bonds - US Government	2,696,862	-	2,696,862	-
Mutual Funds	539,176	539,176	-	-
Total investments whose use is limited at fair value	5,742,239	3,045,377	2,696,862	-
Investments whose use is limited at cost:				
NCP Certificates	1,328,514			
Total investments whose use is limited	\$ 7,070,753	\$ 3,045,377	\$ 2,696,862	\$ -

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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, 2022:

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Investments at fair value:				
Money Market Funds	\$ 1,734,138	\$ 1,734,138	\$ -	\$ -
Equity:				
Mutual Funds	15,432,115	15,432,115	-	-
Other Assets Illiquid	2,676,739	-	-	2,676,739
Fixed Income Mutual Funds	15,208,279	15,208,279	-	-
Total investments at fair value	<u>35,051,271</u>	<u>32,374,532</u>	<u>-</u>	<u>2,676,739</u>
Investments carried at cost:				
NCP Demand Accounts	8,640,108			
NCP Certificates	4,000,690			
	<u>12,640,798</u>			
Investment in CTC	<u>2,210,194</u>			
 Total Investments	 <u>\$ 49,902,263</u>	 <u>\$ 32,374,532</u>	 <u>\$ -</u>	 <u>\$ 2,676,739</u>
 Investments whose use is limited at fair value:				
Money Market Funds	\$ 213,340	\$ 213,340	\$ -	\$ -
Equity Mutual Funds	2,049,359	2,049,359	-	-
Fixed Income:				
Bonds - US Government	2,626,760	-	2,626,760	-
Mutual Funds	319,444	319,444	-	-
Total investments whose use is limited at fair value	<u>5,208,903</u>	<u>2,582,143</u>	<u>2,626,760</u>	<u>-</u>
Investments whose use is limited at cost:				
NCP Certificates	<u>1,295,471</u>			
 Total investments whose use is limited	 <u>\$ 6,504,374</u>	 <u>\$ 2,582,143</u>	 <u>\$ 2,626,760</u>	 <u>\$ -</u>

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 consist 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 as of both September 30, 2023 and 2022. The Church made no additional purchases of its limited partnership investments during either of the years ended September 30, 2023 and 2022.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

### 4. PROPERTY AND EQUIPMENT:

Property and equipment at September 30, 2023 and 2022, consist of the following:

	September 30,	
	2023	2022
Administrative office:		
Land	\$ 3,098,419	\$ 3,098,419
Building and improvements	8,061,588	8,013,581
Furniture, fixtures, equipment and vehicles	874,403	968,443
IT software and development	228,643	-
	<u>12,263,053</u>	<u>12,080,443</u>
Less accumulated depreciation	<u>(2,934,591)</u>	<u>(2,879,038)</u>
	<u><u>\$ 9,328,462</u></u>	<u><u>\$ 9,201,405</u></u>

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

The Church has a line of credit with NCP. As of September 30, 2023 and 2022, the available line of credit was \$2,500,000. At September 30, 2023 and 2022, the outstanding balance was \$0 and \$0, respectively. The interest rate is set at the prime rate, but in no event less than 6.25% per annum. At September 30, 2023 and 2022, the interest rate was 8.5% and 6.25%, respectively. 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, 2023 and 2022, the outstanding balance on the mortgage note payable was \$2,113,636 and \$2,254,263, 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 both September 30, 2023 and 2022, the interest rate was 3.875%. 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. The second mortgage note payable in the amount of \$744,990 was paid off during the year ended September 30, 2023.



# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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 6.25%, is added to the principal of the loan. This loan was paid off in full during the year ended September 30, 2023.

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 was set at the prime rate, but in no event less than 6.25% per annum. At September 30, 2023 and 2022, the interest rate was 8.5% and 6.25%, respectively. This line of credit is payable on demand with sixty days written notice. The outstanding balance on the line of credit is \$0 and \$420,873, as of September 30, 2023 and 2022, respectively, and is secured by invested funds from proceeds of a grant from the Lilly Foundation.

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

2024	\$	146,179
2025		151,945
2026		157,938
2027		164,168
2028		170,644
Thereafter		<u>1,322,762</u>
		<u>\$ 2,113,636</u>

Interest expense for the years ended September 30, 2023 and 2022, was \$147,813 and \$135,436, respectively.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

### 6. COMMITMENTS AND CONTINGENCIES:

#### 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, 2023, the outstanding principal balance on these loans totaled \$61,175,356. These loans are secured by the related properties. The Church has pledged investments totaling \$1,328,514 as security for these loans. The mortgage loans have maturity dates ranging from on demand through the year 2050.

#### 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. While there are intentions through fiscal year 2029, there are no commitments beyond fiscal year 2027. The Church's planned expenditures under existing Covenant Agreements are as follows for the year ending September 30:

2024	\$	205,537
2025		142,235
2026		126,975
2027		125,225
2028		125,000
2029		<u>125,000</u>
	\$	<u>849,972</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, 2023 and 2022, the Church was not the beneficiary of any new irrevocable trusts.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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 \$3,957,343 and \$3,944,599 for the years ended September 30, 2023 and 2022, respectively. In addition, the Church recorded \$212,812 and \$359,994 for the years ended September 30, 2023 and 2022, 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 one multiemployer plan. The risks of participating in a multiemployer plan differs 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 \$398,666 and \$452,480 for the years ended September 30, 2023 and 2022, respectively. The contributions made by the Church represented approximately 7% of the total contributions made to the Covenant Pension Plan in both 2023 and 2022. 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 year ended December 31, 2022, are as follows:

<u>Pension Fund</u>	<u>FEIN</u>	<u>2022</u>
Covenant Pension Plan	36-3065447	\$ 5,886,924

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

9. PENSION TRUST FUND, continued:

As of December 31, 2022, the Covenant Pension Plan's total net assets available for benefits were \$263,303,089 and the actuarial present value of accumulated plan benefits was \$261,858,092. As of December 31, 2022, the Plan was 100% funded, based on the Church Plan assumptions utilized by management. The December 31, 2022, actuarial report was the most currently available report as of the audit report date.

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 \$0 and \$13,991 for the years ended September 30, 2023 and 2022, respectively. The contributions made by the Church represented approximately 0% and 15% of the total contributions made to the Lay Plan in 2023 and 2022, 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 year ended December 31, 2021, are as follows:

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

As of December 31, 2022, the Lay Plan's total net assets available for benefits were \$10,749,856. As of December 31, 2021, the actuarial present value of accumulated plan benefits was \$10,376,206. As of December 31, 2021 and 2022, the Plan was 100% funded, based on the Church Plan assumptions utilized by management. The December 31, 2021, actuarial report was the most currently available report as of the audit report date.

Full-time employees hired in May 2013 or thereafter are covered under a 403(b) contributory plan. The Church contributed \$516,073 and \$489,425 to the 403(b) contributory plan in the years ended September 30, 2023 and 2022, 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, 2023 and 2022

### 10. NET ASSETS:

Net assets at September 30, 2023 and 2022, consist of the following:

Net assets without donor restrictions:

Undesignated	\$ 17,371,067	\$ 16,261,669
Board designated for Financial Relief Initiative program	6,215,650	6,215,650
	23,586,717	22,477,319

Net assets with donor restrictions:

Subject to expenditure for specified purpose:

Kingdom Builders Frontier Friends	2,960	-
Friends of World Mission	557,487	612,869
CovKids	338,315	290,732
Serve Globally	759,983	783,597
Covenant World Relief	1,017,607	1,011,836
Start & Strengthen Churches	135,619	395,857
Short-Term Missionaries	1,720,053	1,885,396
Make & Deepen Disciples	383,654	496,915
Sustaining Pastoral Excellence	223,461	262,565
Love Mercy Do Justice	762,400	769,375
CovEnterprises	60,081	87,892
Annuity agreements	176,024	146,144
Other	606,917	185,704
	6,744,561	6,928,882

Subject to the passage of time:

Irrevocable trusts	629,388	583,734
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Subject to the Church's spending policy and appropriations:

Term endowments:

Start & Strengthen Churches	10,503,926	10,009,873
Covenant World Relief	2,126,457	2,299,746
Other	348,137	301,977
Endowment funds restricted in perpetuity	2,264,067	2,133,658
	15,242,587	14,745,254

Total net assets with donor restrictions

	22,616,536	22,257,870
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Total net assets

	\$ 46,203,253	\$ 44,735,189
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The Church's governing board, through specific action, has created self-imposed limits on net assets without donor restrictions. The board has set aside \$6,215,650 for its Financial Relief Initiative program as of both September 30, 2023 and 2022. These net assets can be drawn upon if the board approves such action.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

### 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, 2023 and 2022

11. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended September 30, 2023:

	With Donor Restrictions			Total Funds
	Perpetual Endowments	Term Endowments	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 2,133,658	\$ 12,611,596	\$ 14,745,254	\$ 14,745,254
Investment return, net	12,304	822,937	835,241	835,241
Contributions	118,105	1,452,341	1,570,446	1,570,446
Amounts appropriated for expenditures	-	(1,908,354)	(1,908,354)	(1,908,354)
	130,409	366,924	497,333	497,333
Endowment net assets, end of year	\$ 2,264,067	\$ 12,978,520	\$ 15,242,587	\$ 15,242,587

Changes in endowment net assets for the year ended September 30, 2022:

	With Donor Restrictions			Total Funds
	Perpetual Endowments	Term Endowments	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 2,480,791	\$ 14,068,372	\$ 16,549,163	\$ 16,549,163
Investment (loss) return, net	(347,133)	(1,324,160)	(1,671,293)	(1,671,293)
Contributions	-	1,009,740	1,009,740	1,009,740
Amounts appropriated for expenditures	-	(1,142,356)	(1,142,356)	(1,142,356)
	(347,133)	(1,456,776)	(1,803,909)	(1,803,909)
Endowment net assets, end of year	\$ 2,133,658	\$ 12,611,596	\$ 14,745,254	\$ 14,745,254

*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, 2023 and 2022.

*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, 2023 and 2022

### 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 \$515,342 and \$625,828 at September 30, 2023 and 2022, 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, 2023 and 2022. During the years ended September 30, 2023 and 2022, the supplemental retirement benefit payments were \$98,072 and \$105,329, 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, 2023 and 2022, is as follows:

Assets - investments designated for annuity agreements	<u>\$ 5,742,239</u>	<u>\$ 5,208,903</u>
Liabilities and net assets:		
Liabilities:		
Annuities payable	\$ 715,603	\$ 699,286
Due to other Covenant entities	4,832,068	4,482,097
Total liabilities	<u>5,547,671</u>	<u>5,181,383</u>
Net assets:		
Without donor restrictions	48,424	(118,624)
With donor restrictions for annuity agreements	146,144	146,144
Total net assets	<u>194,568</u>	<u>27,520</u>
Total Liabilities and Net Assets	<u>\$ 5,742,239</u>	<u>\$ 5,208,903</u>



# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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, 2023 and 2022. 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, 2023

	Program Services										Supporting Activities			Total Expenses
	Start & Strengthen Churches	Make & Deepen Disciples	Develop Leaders	Love Mercy		Serve Globally	General Mission		Total	Communications	Management & General	Fundraising	Total	
				Do Justice	Do Mercy		Mission	General						
Support to global and local partners	\$ 2,988,919	\$ 285,955	\$ 2,015,600	\$ 260,404	\$ 4,756,964	\$ 87,800	\$ 10,395,642	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,395,642	
Salaries and benefits	762,529	322,920	870,503	484,807	4,385,151	-	6,825,910	1,019,145	2,718,285	687,961	4,425,391	-	11,251,301	
Travel	247,268	29,426	115,126	66,674	423,147	-	881,641	41,695	130,736	112,684	285,115	-	1,166,756	
Office and occupancy	157,274	88,725	117,946	67,550	272,448	-	703,943	242,851	524,218	128,846	895,915	-	1,599,858	
Publications, printing and publicity	2,873	2,187	6,831	8,570	122,943	-	143,404	-	82,164	67,777	149,941	-	293,345	
Conferences and meetings	-	-	72,004	-	-	-	72,004	-	397,744	-	397,744	-	469,748	
Professional fees	-	-	8,712	-	868	-	9,580	2,235	216,010	-	218,245	-	227,825	
Board expense	4,669	4,090	22,606	3,551	20,302	-	55,218	3,319	137,343	-	140,662	-	195,880	
Interest	-	-	-	-	-	-	-	-	147,813	-	147,813	-	147,813	
Depreciation	-	-	-	-	-	-	-	-	161,238	-	161,238	-	161,238	
<b>Total Expenses</b>	<b>\$ 4,163,532</b>	<b>\$ 733,303</b>	<b>\$ 3,229,328</b>	<b>\$ 891,556</b>	<b>\$ 9,981,823</b>	<b>\$ 87,800</b>	<b>\$ 19,087,342</b>	<b>\$ 1,309,245</b>	<b>\$ 4,515,551</b>	<b>\$ 997,268</b>	<b>\$ 6,822,064</b>	<b>\$ 25,909,406</b>		

Year Ended September 30, 2022

	Program Services										Supporting Activities			Total Expenses
	Start & Strengthen Churches	Make & Deepen Disciples	Develop Leaders	Love Mercy		Serve Globally	General Mission		Total	Communications	Management & General	Fundraising	Total	
				Do Justice	Do Mercy		Mission	General						
Support to global and local partners	\$ 2,519,172	\$ 118,951	\$ 1,913,509	\$ 187,469	\$ 4,571,704	\$ 114,401	\$ 9,425,206	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,425,206	
Salaries and benefits	700,467	433,899	1,021,376	506,281	4,613,828	-	7,275,851	1,165,923	3,042,753	643,967	4,852,643	-	12,128,494	
Travel	166,587	34,218	85,979	42,795	389,675	-	719,254	35,983	218,732	85,952	340,667	-	1,059,921	
Office and occupancy	429,424	97,010	166,733	40,319	266,867	-	1,000,353	237,733	536,672	158,707	933,112	-	1,933,465	
Publications, printing and publicity	10,135	6,554	9,579	2,902	151,919	-	181,089	-	142,888	79,113	222,001	-	403,090	
Conferences and meetings	-	-	643	-	-	-	643	-	413,884	560	414,444	-	415,087	
Professional fees	-	-	7,886	-	7,886	-	7,886	3,018	172,101	2,970	178,089	-	185,975	
Board expense	12,332	12,278	85,886	15,594	32,551	-	158,641	12,027	252,489	-	264,516	-	423,157	
Interest	-	-	-	-	-	-	-	-	135,436	-	135,436	-	135,436	
Depreciation	-	-	-	-	-	-	-	-	166,704	-	166,704	-	166,704	
<b>Total Expenses</b>	<b>\$ 3,838,117</b>	<b>\$ 702,910</b>	<b>\$ 3,283,705</b>	<b>\$ 795,360</b>	<b>\$ 10,034,430</b>	<b>\$ 114,401</b>	<b>\$ 18,768,923</b>	<b>\$ 1,454,684</b>	<b>\$ 5,081,659</b>	<b>\$ 971,269</b>	<b>\$ 7,507,612</b>	<b>\$ 26,276,535</b>		

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

15. REAL ESTATE HELD FOR SALE:

Real estate held for sale at September 30, 2022, consisted of property located in Dolton, Illinois. During the year ended September 30, 2023, pursuant to an agreement with NCP and New Zion Christian Fellowship Church, the Church property was sold and the two underlying loans with NCP were paid off.

16. TRANSACTIONS WITH AFFILIATED ENTITIES:

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

The Church gifted approximately \$1,044,000 and \$1,044,000 to an affiliated organization during the years ended September 30, 2023 and 2022, respectively. The Church also received approximately \$255,000 from this affiliated organization for administrative and management services provided during both the years ended September 30, 2023 and 2022.

The Church received \$1,512,000 from an affiliated organization for administrative and management services provided during both the years ended September 30, 2023 and 2022.

The Church received approximately \$548,000 and \$535,000 from an affiliated organization for administrative and management services provided during the years ended September 30, 2023 and 2022, respectively.

The Church received approximately \$60,000 and \$68,000 from an affiliated organization for administrative and management services provided during the years ended September 30, 2023 and 2022, respectively.

17. EMPLOYEE RETENTION CREDIT:

The Church claimed a tax credit of \$1,629,655, through the Employee Retention Credit (ERC) program offered through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The credit is claimed in relation to qualified wages owed for the year ended September, 2021. The full amount of the credit was received and recognized as grant revenue on the consolidated statements of activities in the year ended September 30, 2023.

Laws and regulations concerning government programs, including the ERC, established by the CARES Act are complex and subject to varying interpretation. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Church's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Church.

# THE EVANGELICAL COVENANT CHURCH

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

### 18. 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 \$0 and \$0 was outstanding at September 30, 2023 and 2022, 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.

	September 30,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 2,406,359	\$ 1,369,643
Assets held for board designated purposes:		
Cash and cash equivalents	276,342	276,342
Investments	5,939,308	5,939,308
Notes and accounts receivable	3,121,380	4,954,415
Investments	40,609,013	43,962,955
Investments whose use is limited	7,070,753	6,504,374
	59,423,155	63,007,037
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Board designated for Financial Relief Initiative program	(6,215,650)	(6,215,650)
Restricted by donor with time or purpose restrictions	(6,744,561)	(6,928,882)
Investments held in annuities	(5,742,239)	(5,208,903)
Investments pledged	(1,328,514)	(1,295,471)
Endowment funds restricted in perpetuity	(2,264,067)	(2,133,658)
Investments not convertible to cash within next 12 months	(5,133,283)	(4,886,933)
Term endowment funds, primarily for long-term investing	(12,978,520)	(12,611,596)
	\$ 19,016,321	\$ 23,725,944

### 19. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through April 23, 2024, 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 years ended September 30, 2023 and 2022, and our report thereon dated April 23, 2024, 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 27 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  
April 23, 2024

# THE EVANGELICAL COVENANT CHURCH

## Consolidating Statements of Financial Position

Year Ended September 30,

	2023				2022					
	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	\$ 2,406,359	\$ -	\$ -	\$ -	\$ 2,406,359	\$ 1,369,643	\$ -	\$ -	\$ -	\$ 1,369,643
Assets held for board designated purposes:										
Cash and cash equivalents	276,342	-	-	-	276,342	276,342	-	-	-	276,342
Investments	5,939,308	-	-	-	5,939,308	5,939,308	-	-	-	5,939,308
Prepaid expenses and other assets	130,917	-	-	-	130,917	109,812	-	-	-	109,812
Notes and accounts receivable:										
Churches and other affiliates, net	1,353,048	-	-	-	1,353,048	1,411,363	-	-	-	1,411,363
Other Covenant entities	1,411,374	-	-	-	1,411,374	3,096,826	-	-	-	3,096,826
Other	356,958	-	-	-	356,958	446,226	-	-	-	446,226
Real estate held for sale	-	-	-	-	-	815,388	-	-	-	815,388
Investments	40,609,013	-	-	-	40,609,013	43,962,955	-	-	-	43,962,955
Investments whose use is limited:										
Annuities	5,742,239	-	-	-	5,742,239	5,208,903	-	-	-	5,208,903
Investments pledged	1,328,514	-	-	-	1,328,514	1,295,471	-	-	-	1,295,471
Property and equipment, net	9,328,462	-	-	-	9,328,462	9,201,405	-	-	-	9,201,405
Interest in irrevocable trusts	629,386	-	-	-	629,386	583,733	-	-	-	583,733
<b>Total Assets</b>	<b>\$ 69,511,920</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 69,511,920</b>	<b>\$ 73,717,375</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 73,717,375</b>
<b>LIABILITIES:</b>										
Accounts payable and accrued expenses	\$ 2,175,584	\$ -	\$ -	\$ -	\$ 2,175,584	\$ 2,205,401	\$ -	\$ -	\$ -	\$ 2,205,401
Deferred income	735,142	-	-	-	735,142	1,375,576	-	-	-	1,375,576
Insurance payable	12,221,292	-	-	-	12,221,292	15,973,272	-	-	-	15,973,272
Lines of credit and notes payable	2,113,636	-	-	-	2,113,636	3,420,126	200,600	-	-	3,620,726
Supplemental retirement benefits payable	515,342	-	-	-	515,342	625,828	-	-	-	625,828
Annuities:										
Annuities payable	715,603	-	-	-	715,603	699,286	-	-	-	699,286
Due to other Covenant entities	4,832,068	-	-	-	4,832,068	4,482,097	-	-	-	4,482,097
<b>Total Liabilities</b>	<b>\$ 23,308,667</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,308,667</b>	<b>\$ 28,781,586</b>	<b>\$ 200,600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,982,186</b>
<b>NET ASSETS:</b>										
Without donor restrictions	23,586,717	-	-	-	23,586,717	22,677,919	-	(200,600)	-	22,477,319
With donor restrictions	22,616,536	-	-	-	22,616,536	22,257,870	-	-	-	22,257,870
<b>Total Net Assets</b>	<b>\$ 46,203,253</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,203,253</b>	<b>\$ 44,935,789</b>	<b>\$ (200,600)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,735,189</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 69,511,920</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 69,511,920</b>	<b>\$ 73,717,375</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 73,717,375</b>

See notes to consolidated financial statements