APPENDIX – 3
AUDITOR'S REPORT
2016: COMBINED FINANCIAL STATEMENTS

EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES
ORLANDO, FLORIDA

COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2016 AND 2015

CliftonlarsonAllen LLP

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

EVANGELICAL PRESBYTERIAN CHURCH AND AFFILIATES
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YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

General Assembly
Evangelical Presbyterian Church
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying combined financial statements of Evangelical Presbyterian Church and Affiliates (EPC) which comprise the combined statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

A member of Nexia International

General Assembly
Evangelical Presbyterian Church

Opinion

In our opinion, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the combined financial position of EPC as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the 2016 and 2015 combined financial statements as a whole. The 2016 and 2015 schedule of expenses - administration fund is presented for purposes of additional analysis and is not a required part of the combined 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underling accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

CliftonLarsonAllen LLP

CliftonlarsonAllen LLP

Orlando, Florida
April 24, 2017

COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents:		
Unrestricted	$ 1,394,469	$ 1,513,981
Restricted	1,032,311	885,139
Investments - restricted	10,432,166	10,499,161
Accounts receivable	153,490	28,838
Accrued interest	205	10,907
Inventories	14,289	21,123
Prepaid expenses	14,493	9,372
Furniture and equipment, net	220,274	20,929
Notes receivable	495,905	607,305
Deposits	183,850	162,909
Copyrights, net	37,000	38,500
TOTAL ASSETS	$ 13,978,452	$ 13,798,164
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 256,190	$ 34,890
Claims payable	1,426,333	1,358,188
Accrued liabilities	205,791	19,546
Deferred revenue	7,139	11,534
Capital lease obligations	73,120	
Postretirement benefit obligations	441,577	492,000
Total liabilities	2,410,150	1,916,158
NET ASSETS		
Unrestricted:		
Undesignated	936,571	1,380,385
Designated	6,729,959	6,890,664
Total unrestricted	7,666,530	8,271,049
Temporarily restricted	3,851,772	3,560,957
Permanently restricted	50,000	50,000
Total net assets	11,568,302	11,882,006
TOTAL LIABILITIES AND NET ASSETS	$ 13,978,452	$ 13,798,164

See accompanying Notes to Combined Financial Statements

COMBINED STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GRANTS, AND OTHER SUPPORT				
Program income	$ 15,269,795	$	$	$ 15,269,795
Contributions	2,425,977	5,874,407		8,300,384
Interest and dividends	162,044	18,043		180,087
Net realized, unrealized loss on investments	65,635	14,139		79,774
Net assets released from restrictions	5,615,774	(5,615,774)		
Total revenues, grants, and other support	23,539,225	290,815		23,830,040
EXPENSES AND LOSSES				
Program expenses	21,459,219			21,459,219
General and administrative	2,684,525			2,684,525
Total expenses and losses	24,143,744			24,143,744
CHANGE IN NET ASSETS	(604,519)	290,815		(313,704)
NET ASSETS AT BEGINNING OF YEAR	8,271,049	3,560,957	50,000	11,882,006
NET ASSETS AT END OF YEAR	$ 7,666,530	$ 3,851,772	$ 50,000	$ 11,568,302

See accompanying Notes to Combined Financial Statements

COMBINED STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GRANTS, AND OTHER SUPPORT				
Program income	$ 13,606,971	$	$	$ 13,606,971
Contributions	2,189,703	5,775,599		7,965,302
Interest and dividends	56,048	63,138		119,186
Net realized, unrealized gains on investments	(181,517)	(108,118)		(289,635)
Other	6,304			6,304
Net assets released from restrictions	5,483,770	(5,483,770)		
Total revenues, grants, and other support	21,161,279	**246,849**		21,408,128
EXPENSES AND LOSSES				
Program expenses	19,956,885			19,956,885
General and administrative	2,622,436			2,622,436
Total expenses and losses	22,579,321			22,579,321
CHANGE IN NET ASSETS	(1,418,042)	246,849		(1,171,193)
NET ASSETS AT BEGINNING OF YEAR	9,689,091	3,314,108	50,000	13,053,199
NET ASSETS AT END OF YEAR	$ 8,271,049	$ 3,560,957	$ 50,000	$ 11,882,006

See accompanying Notes to Combined Financial Statements

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (313,704)	$ (1,171,193)
Adjustments to reconc ile change in net assets to net cash used in operating activities:		
Depreciation of furniture and equipment	26,613	27,365
Amortization of copyrights	1,500	1,500
Net realized and unrealized (gains) loss on investments	(79,774)	289,635
Effects of changes in operating assets and liabilities:		
Accounts receivable	(124,652)	(26,705)
Accrued interest	10,702	527
Inventories	6,834	7,877
Prepaid expenses	(5,121)	51,685
Deposits	(20,941)	(32,200)
Accounts payable	221,300	(102,390)
Claims payable	68,145	318,562
Accrued liabilities	186,245	19,546
Postretirement benefit obligations	(50,423)	69,000
Deferred revenue	(4,395)	(28,286)
Net cash used in operating activities	(77,671)	(575,077)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investment securities	146,769	(1,381,533)
Purchase of furniture and equipment	(146,207)	
Principal payments received from notes receivable	111,400	95,966
Net cash provided by (used in)	111,962	(1,285,567)
CASH FROM FINANCING ACTIVITIES		
Payment on capital lease obligations	(6,631)	
NET INCREASE (DECREASE) IN CASH AND	27,660	(1,860,644)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,399,120	4,259,764
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,426,780	$ 2,399,120

See accompanying Notes to Combined Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Evangelical Presbyterian Church (EPC) began in 1981 and exists to carry out the great Commission of Jesus as a denomination of Presbyterian, Reformed, Evangelical, and Mission congregations. EPC consists of more than 600 churches with nearly 170,000 members and EPC has a world missions program with a priority in sending missionaries to unreached people groups. As part of its support of the member churches, EPC administers designated funds, provides a medical insurance program that is available to employees of member churches and their families, and provides a retirement plan that is available to any employees of member churches. EPC also operates a foundation which is a supporting organization of EPC. The ongoing work of the EPC is carried out by the office of general assembly and staff of each ministry. The financial statements include only the accounts of EPC and do not include the accounts of affiliated local presbyteries or member churches.

The Evangelical Presbyterian Church Foundation (Foundation) was formed as a supporting organization of the EPC and must be operated, supervised or controlled by or in connection with EPC. The Foundation is organized to operate exclusively for the benefit of, to perform the function of, and to carry out the purposes of holding and receiving by gift, bequest, devise, grant or purchase any real or personal property, and to raise, invest and reinvest, and to use and to dispose of the same for the purpose of allocating funds to support the programs, mission and vision of the EPC.

Effective January 1, 2016, Essential Solutions Group, LLC was established with EPC being the one member. The entity was organized and established exclusively to further the purposes of the member and to support and further the mission of the member including overseeing and operating the member's programs.

EPC Benefits Resources, Inc. (BRI) is in the process of being established with EPC being the one shareholder. The entity is being organized to establish two trusts to be overseen by the BRI board of directors as trustees, one for the EPC Retirement Plan and the other for all other insurance plans (medical plan, life, accidental death and disability, long-term disability, vision, and dental).

Significant accounting policies followed by EPC are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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 financial statements and the reported amounts of revenues and expenses during each reporting period. Actual results could differ from those estimates.

Fund Accounting and Net Asset Classifications

To ensure compliance with restrictions placed on the resources available to EPC, the accounting records are maintained in accordance with the principles of fund accounting. Resources are classified into funds established according to their nature and purposes. These funds include the church administration, designated, medical benefits, church loan, and church development funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting and Net Asset Classifications (Continued)

For financial reporting purposes, these funds have been combined into the net asset categories of permanently restricted, temporarily restricted, and unrestricted as follows:

- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit EPC to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.
- Temporarily restricted net assets contain donor-imposed restrictions that permit EPC to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of EPC.
- Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired. As reflected in the accompanying statements of financial position, the Board of Directors has designated a portion of the unrestricted net assets for particular purposes.

Promises to Give

Contributions are recognized when the donor makes a promise to give to EPC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. EPC does not record pledges received for the individual missionaries in the World Outreach fund. EPC only tracks the pledges to the point the missionary has sufficiently received or pledged resources to ensure the missionary is in compliance with their terms of call. The missionaries are responsible for obtaining and maintaining their donor relationships and EPC provides the missionaries tools and resources to assist with this task.

Cash and Cash Equivalents

EPC considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. However, short-term investments with maturities at the date of purchase of three months or less, which are subject to investment management direction, are treated as investments rather than cash.

EPC maintains all of its checking and savings accounts in one commercial regional bank. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits; however, balances in excess of FDIC limits are uninsured. In the opinion of EPC management, it is believed that deposits in excess of insured amounts are not at risk.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

Cash is restricted for use in the medical benefit plan.

Investments

Investment securities consist of mutual funds, fixed income securities, corporate stocks, and money market funds and are recorded at fair value. The selected investment managers have been given full authority by the board of directors to manage the portfolio, in accordance with the EPC investment policy, for the benefit of EPC. Fair value is determined based upon quoted market values of the funds and securities. Investment securities acquired by gift or bequest are recorded at fair value on the date of gift and such amount is considered the cost of the security. Any realized gain or loss on sale of a security is determined using the cost basis of the security sold. Income from investments, including realized and unrealized gains and losses, is allocated among unrestricted and temporarily restricted net assets based on donor restrictions or the absence thereof.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Accounts Receivable

Accounts receivable are primarily from the medical benefits program which generally requires payment on a monthly basis. Management reviews individual receivable balances that are past due and based on assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected. All accounts or portions thereof deemed to be uncollectible are written off to the allowance for losses. Management has reviewed the accounts and believes they are all collectible and no provision for uncollectible accounts has been provided at December 31, 2016 and 2015.

Inventory

Inventory consists primarily of books and other publications and is stated at the lower of cost or market value with cost based on specific identification.

Furniture and Equipment

Furniture and equipment are stated at cost or, for assets received as gifts or bequests, at the fair market value assigned on the date of the gift or bequest. EPC has established a $3,000 capitalization policy. Depreciation is provided on the straight-line method over the estimated useful lives of the individual assets ranging from three to seven years.

Depreciation expense for 2016 and 2015 amounted to $26,613 and $27,365, respectively. Accumulated depreciation amounted to $118,194 and $174,065 at December 31, 2016 and 2015, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

EPC reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Contributed Services

During the years ended December 31, 2016 and 2015, the value of contributed services meeting the requirements of recognition in the financial statements was not material and has not been recorded.

Revenue Recognition

Contributions are recognized as revenue when the donor makes a promise to give to EPC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

EPC records a receivable for medical premiums billed in advance of the coming month and premium revenues are deferred until the month commences and are shown as deferred revenue on the accompanying statements of financial position.

Functional Allocation of Expenses

EPC allocates salaries and related payroll expenses to specific programs and supporting services on the basis of either actual or estimated time devoted to these activities. Other expenses have been allocated on the basis of either actual costs or other reasonable methods of allocation as determined by management. Fundraising expenses are not material and allocated separately.

Income Taxes

The Internal Revenue Service has determined that EPC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through April 24, 2017, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2016, but prior to April 24, 2017, that provided additional evidence about conditions that existed at December 31, 2016, have been recognized in the financial statements for the year ended December 31, 2016. Events or transactions that provided evidence about conditions that did not exist at December 31, 2016, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2016.

NOTE 2 INVESTMENTS

Investments are valued at market value and are maintained in investment accounts as follows:

	2016	2015
Administration:		
Wells Fargo	$ 4,012,841	$ 4,281,340
Medical Insurance Fund:		
Merrill Lynch	6,419,325	6,217,821
Total	$ 10,432,166	$ **10,499,161**

These accounts are managed by fund administrators from each brokerage firm.

The investments were as follows:

December 31, 2016	Cash	Fixed Income	Stocks	Mutual Funds	Total
Wells Fargo	$ 554,088	$ 2,090,822	$ 1,109,563	$ 258,368	$ 4,012,841
Merrill Lynch	1,135,326	2,382,298	2,105,388	796,313	6,419,325
Total	$ 1,689,414	$ 4,473,120	$ 3,214,951	$ 1,054,681	$ 10,432,166
December 31, 2015					
Wells Fargo	$ 981,837	$ 1,361,760	$ 1,613,068	$ 324,675	$ 4,281,340
Merrill Lynch	2,637,843	1,533,350	1,551,664	494,964	6,217,821
Total	$ 3,619,680	$ 2,895,110	$ 3,164,732	$ 819,639	$ 10,499,161

NOTE 2 INVESTMENTS (CONTINUED)

Investment returns, net of investment fees, consist of the following for the years ended December 31, 2016 and 2015:

	2016	2015
Net unrealized and realized gains (losses)	$ 79,774	$ (289,635)
Interest and dividends	180,087	119,186
Total Investment Return	$ 259,861	$ (170,449)

NOTE3 NOTES RECEIVABLE

Notes receivable consist of loan agreements made to member churches at interest rate at 1.00% per annum or the Wells Fargo money market rate, whichever is greater and a term from 10 to 15 years. The churches make principal and interest payments on a monthly basis. All notes are guaranteed by the relevant presbytery and are included in the church loan fund. There are no delinquent notes receivable. Management has reviewed the notes receivable and believes all are collectible. No provision for uncollectible notes receivable has been provided at December 31, 2016 and 2015.
Notes receivable consist of the following at December 31:

	2016	2015
Faith EPC	$ 81,659	$ 91,659
City Church	115,278	115,278
Grace Community	84,389	94,317
North Oaks Community	648	8,257
Christ Church	69,151	79,151
Peace Durham	59,453	72,316
New Creation	85,327	91,327
Munford		55,000
Total	$ 495,905	$ 607,305

Future maturities of notes receivable at December 31, 2016, are as follows: 2017, $65,293; 2018 through 2021, $56,316; and thereafter, $205,348.

NOTE 4 COPYRIGHTS

The church entered into an agreement with Summertown Tests for the purchase of copyrights for the EPC Edition of the Modern Language Version of the Westminster Confessions of Faith and Larger Catechism at a total cost of $28,750. In December of 2009, another copyright for the Westminster Confession of Faith was donated to the Church and it has been valued at the same value as the other copyright ($28,750). Accumulated amortization amounts to $20,500 and $19,000 at December 31, 2016 and 2015, respectively, and amortization expense amounts to $1,500 for 2016 and 2015. Future amortization at December 31, 2016 is $1,500 annually through 2021 and $29,500 thereafter.

	2016	2015
Total copyrights	$ 57,500	$ 57,500
Less accumulated amortization	20,500	19,000
Balance	$ 37,000	$ 38,500

NOTE 5 DESIGNATED AND RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2016 and 2015, consist of $50,000 for the Ministerial Endowment Fund whose earnings can be utilized by ministers who have extraordinary financial needs.

Temporarily restricted net assets consist of World Outreach and benevolence asking accounts. Individual missionary accounts are utilized to record funds raised for their terms of service. Temporarily restricted net assets amounted to $3,851,772 and $3,560,957 at December 31, 2016 and 2015, respectively. Temporarily restricted net assets released from the World Outreach and benevolence restrictions amounted to $5,615,774 and $5,483,770 for the years ended December31, 2016 and 2015, respectively.

Unrestricted designated net assets as of the following at December 31, 2016 and 2015 have been designated for the following purposes by the board of directors:

	2016	**2015**
Medical Insurance Fund	$ 5,670,881	$ 5,239,233
Future Administrative Office Knox Fund	205,091	768,043
Church Loan Fund	804,597	799,701
General Assembly Registrations	18,269	14,988
Capital Replacement	24,431	24,431
Church Development	6,690	3,690
Administrative		40,578
Total	$ 6,729,959	$ 6,890,664

NOTE 6 SELF INSURANCE

EPC provides a sell-funded medical program (the Plan) which covers employees of member churches and their families, and clergy and their families, as adopted by member churches. The Plan loss exposure is limited through the use of stop loss insurance.

Following is a summary of transactions for the self-insurance program for 2016 and 2015:

	2016	2015
Premiums billed	**15,229,678**	$ **13,478,435**
Claims expense	**(12,680 ,746)**	**(11,728,274)**
Premiums expense	**(1,252,723)**	**(1,355,798)**
Admin istrative expense	(1,116,523)	**(1,231,762)**
Decrease (Increase) in postretirement benefit obligations	**50,423**	(69,000)
Interest and dividend income	112,401	**49,204**
Gain (loss) in market value	**89,138**	(127,678)
Excess of Revenue Under Expenses	$ **431,648**	$ **(984,873)**

The Plan uses a third party service organization to process and pay medical claims. The service organization requires a deposit based on the amount of average claims payable. A deposit of $160,818 and $156,718 was required at December 31, 2016 and 2015, respectively.

Management records a liability for claims relating to a year that are not paid until the following year. Total claims payable at December 31, 2016 and 2015, amounted to $1,426,333 and $1,358,188, respectively. It is possible that management may be unaware of certain claims until considerable time after the year-end. Those claims are recorded as an expense in the period when management becomes aware of them.

NOTE 7 POSTRETIREMENT BENEFIT OBLIGATIONS

The amount reported as the postretirement benefit obligations represents the actuarial present value of those estimated future benefits attributed by the terms of the Plan to employees' service rendered to the date of the financial statements, reduced by the actuarial present value of premium contributions expected to be received in the future from current Plan participants. Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and their beneficiaries and dependents and (2) active employees and their beneficiaries and dependents after retirement from service with the Church. The costs of the postretirement benefits are shared by the Church and retirees, which are expected to contribute approximately 70% of estimated costs of providing postretirement benefits. The postretirement benefit obligations represent the amount that is to be funded by contributions from the Church and from existing Plan assets.

NOTE 7 POSTRETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The actuarial present value of the postretirement benefit obligations is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money and the probability of payment between the valuation date and the expected date of payment.

For measurement purposes, the assumed annual rate of increase in the per capita cost of covered health care benefits was 5.0% for 2016 and 5.4% for 2015. The rate decreases to 4.7% in the year 2084 and beyond. An assumed mortality rate was based on the RP-2014 healthy mortality table with generational projection per modified scale MP-2014.

The following were other significant assumptions used in the valuations as of December 31, 2016 and 2015.

Weighted-average discount rate:	
2016	3.75%
2015	3.9%
Retirement rates	
59-61	10.0%
62-63	15.0%
64	10.0%
65	50.0%
66-69	40.0%
70 and older	100.0%

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

The liability for postretirement benefits depends heavily on actuarial assumptions. The impact of changes to the actuarial assumptions would result in the benefit obligations increasing by approximately $48,000 and $51,000, as of December 31, 2016 and 2015, respectively, with a 1% increase in the annual health care cost trend assumptions.

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

NOTE 8 RETIREMENT PLAN

The General Assembly Office participates in a multi-employer pension plan administered by the board of benefits as elected by the General Assembly of the Evangelical Presbyterian Church. The plan is a defined contribution type and contributions by the General Assembly Office to the plan for participants were $129,813 and $87,616 for 2016 and 2015, respectively. Any employee may participate in the salary reduction aspect of the plan. Also, the assembly may make contributions for the benefit of employees at its discretion.

NOTE 9 LEASES AND OTHER COMMITMENTS

In December 2012, EPC entered into an amended lease agreement for office space which expired on December 31, 2016. The base monthly rent was $12,380 and the lease will not be renewed. In connection to the relocation of the EPC offices from Michigan to Florida in 2016, EPC entered into a lease agreement for office space which commenced on September 1, 2016, and requires base monthly rent of $16,841 with a maximum 3% yearly increase through 2026. Future minimum lease payments at December 31, 2016, are as follows: 2017, $170,433; 2018, $210,239; 2019, $216,546; 2020, $233,043; 2021, $229,734 thereafter, $1,233,648.

EPC also entered into a various agreements for office equipment which are accounted for as capital leases, the last of which expires in July 2020. Future maturities on these capital leases at December 31, 2016, are as follows: 2017, $20,899; 2018, $20,899; 2019, $18,062; 2020, $8,378; 2021, $4,882.

Capital lease assets at December 31, 2016 consist of:

Equ ipment	$	83,410
Less : Accumulated Depreciation		7,135
Total	$	76,275

On August 1, 2015, in connection with the planned relocation of the EPC offices from Michigan to Florida in 2016, select separation and release agreements were established with former employees. All agreements were subject to the employees working for EPC for a designated period of time. An accrual of $64,513 and $19,546 for the required severance payments related to the agreements has been recorded as of December 31, 2016 and 2015, respectively.

NOTE 10 PROGRAM EXPENSES

Total expenses by program, including EPC Administration, for the years ended December 31, 2016 and 2015, consist of the following:

	2016	2015
Church Administration	$ 2,684,525	$ 2,572,436
Designated	6,439,167	5,567,658
Medical Benefits Fund	14,999,569	14,384,834
Foundation	20,483	49,523
Church Development		4,870
Total	$ 24,143,744	$ 22,579,321

NOTE 11 FAIR VALUE MEASUREMENTS

EPC uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value. The term "fair value hierarchy" refers to the relative reliability of inputs to a fair value measurement. Generally, the lower the level of input for a fair value measurement, the more extensive the disclosure requirement.

The three-level fair value hierarchy prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets that EPC has the ability to access.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in active markets or markets that are not active, such as dealer or broker markets
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy due to the lack of observable quotes in inactive markets for those instruments at December 31, 2016 or 2015. Certain financial assets and liabilities are measured at fair value on a recurring basis while others are measured on a nonrecurring basis. EPC had no assets or liabilitiesmeasured on a nonrecurring basis at December 31, 2016 or 2015.

Management measures its investments in stocks, fixed income, and mutual funds at fair value on a recurring basis. The fair value of its investments is based primarily on Level 1 inputs as described above. The following is a description of the valuation methodologies used for significant instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment Securities

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would typically include government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include corporate and municipal bonds, mortgage-backed securities, and asset-backed securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. EPC did not have any securities classified as Level 3 at December 31, 2016 and 2015.

The following table summarizes financial assets (liabilities) measured at fair value as of December 31, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

December 31,2016	Level1 Inputs	Level2 Inputs	Level3 Inputs	Total Fair Value
Mutual funds	$ 1,054,681	$	$	$ 1,054,681
Fixed income	2,090,822	2,382,298		4,473,120
Stocks	3,214,951			3,214,951
Total Investments at Fair Value	$ 6,360,454	$ 2,382,298	$	$ 8,742,752
December 31, 2015				
Mutual funds	$ 819,639	$	$	$ 819,639
Fixed income	1,361,760	1,533,350		2,895,110
Stocks	3,164,732			3,164,732
Total Investments at Fair Value	$ 5,346,131	$ 1,533,350	$	$ 6,879,481

NOTE 12 FEDERAL INCOME TAXES

Since EPC is an exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code, no provision for federal income tax is required except for federal income taxes arising from unrelated business income. No provision for federal income tax was required for unrelated business income in 2016 and 2015. EPC determined it is not required to record a liability related to uncertain tax positions.

The Plan is a "Church Plan", as defined in Section 414(e) of the Internal Revenue Code, and is exempt from taxes.

NOTE 13 SUPPLEMENTAL CASH FLOW INFORMATION

	2016	2015
Noncash investing and financing activities:		
Equipment acquired under capital lease obligations	$ 79,751	=$========

SUPPLEMENTARY INFORMATION

EVANGELICAL PRESBYTERIAN CHURCH SCHEDULES OF EXPENSES - ADMINISTRATION FUND YEAR ENDED DECEMBER 31, 2016

	2016	2015
EXPENSES		
Personnel:		
Program staff salaries	$ 642,309	$ 636,543
Support staff salaries	316,787	320,724
Stated clerk salary	169,429	159,885
Staff insurance and pension	241,398	276,539
Payroll taxes and worker's compensation	70,637	87,652
Staff travel and expenses	48,006	57,202
Executive travel	55,206	33,501
Officers' and directors' liability insurance	19,250	14,327
Professional expense allowance	5,054	3,403
Total personnel	1,568,076	1,589,776
Administration:		
Board designated expenses	407,692	384,431
Technology support	103,271	112,000
Office rent and taxes	250,132	153,826
Telephone	21,155	19,089
Office supplies	25,390	20,376
Printing and promotion	31,751	15,957
Postage	20,957	24,977
Office maintenance and insurance	2,930	6,105
Depreciation and amortization	28,113	28,865
Committee travel	125,263	147,315
General Assembly administration	25,333	36,381
Pension fund administration		892
Chaplain endorser resources	1,696	1,699
Fraternal relations	23,357	21,431
Presbytery development	10,872	10,137
Leadership development	219	1,610
Financial audit	22,905	27,000
Professional Fees	3,698	16,791
Vehicle expense	1,394	1,927
Office development	100	
Contingencies	6,056	203
Christian education resources	300	360
Miscellaneous	3,865	1,288
Total administration	1,116,449	1,032,660
TOTAL EXPENSES	$ 2,684,525	$ 2,622,436

CliftonLarsonAllen

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