



SLAVIC GOSPEL ASSOCIATION

FINANCIAL STATEMENTS

With Independent Auditors' Report

June 30, 2021 and 2020

SLAVIC GOSPEL ASSOCIATION

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SLAVIC GOSPEL ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
Slavic Gospel Association
Loves Park, IL**

We have audited the accompanying statements of financial position of Slavic Gospel Association (a nonprofit organization), as of June 30, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY


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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Slavic Gospel Association as of June 30, 2021 and 2020 and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Wyoming, Michigan
September 7, 2021

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SLAVIC GOSPEL ASSOCIATION

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,375,195	\$ 3,024,745
Investments	269,915	109,205
Prepaid expenses	80,250	67,305
Other assets	14,813	24,135
Funds held in trust by others	153,077	533,806
Property and equipment	569,854	547,720
Assets held under split-interest agreements	-	123,978
	<u> </u>	<u> </u>
Total Assets	<u>\$ 4,463,104</u>	<u>\$ 4,430,894</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 100,460	\$ 51,197
Accrued payroll and related liabilities	225,797	212,141
Debt	-	301,600
Post-retirement benefit obligation	299,445	327,722
Annuities payable	-	12,191
Total Liabilities	<u>625,702</u>	<u>904,851</u>
Net Assets		
Without donor restrictions		
Undesignated	1,211,048	794,032
Board designated reserve	870,564	870,564
Net investment in property and equipment	569,854	547,720
	<u>2,651,466</u>	<u>2,212,316</u>
With donor restrictions	<u>1,185,936</u>	<u>1,313,727</u>
Total Net Assets	<u>3,837,402</u>	<u>3,526,043</u>
Total Liabilities and Net Assets	<u>\$ 4,463,104</u>	<u>\$ 4,430,894</u>

See accompanying notes and independent auditors' report

SLAVIC GOSPEL ASSOCIATION

Statements of Activities

	Years Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 3,675,409	\$ 4,961,409	\$ 8,636,818	\$ 2,853,811	\$ 4,598,849	\$ 7,452,660
Foundation grants	94,028	121,795	215,823	241,690	111,090	352,780
Investment income	20,750	-	20,750	19,777	-	19,777
Change in value of split-interest agreements	542	-	542	(3,093)	-	(3,093)
Other income	312,542	-	312,542	27,188	-	27,188
Total Support and Revenue	<u>4,103,271</u>	<u>5,083,204</u>	<u>9,186,475</u>	<u>3,139,373</u>	<u>4,709,939</u>	<u>7,849,312</u>
RECLASSIFICATIONS						
Net assets released for satisfaction of time restrictions	501,665	(501,665)	-	364,057	(364,057)	-
purpose restrictions	4,709,330	(4,709,330)	-	4,194,542	(4,194,542)	-
Total Reclassifications	<u>5,210,995</u>	<u>(5,210,995)</u>	<u>-</u>	<u>4,558,599</u>	<u>(4,558,599)</u>	<u>-</u>
EXPENSES						
Program						
Training	1,145,946	-	1,145,946	1,194,464	-	1,194,464
Equipping	2,364,145	-	2,364,145	1,695,477	-	1,695,477
Sponsoring	2,985,846	-	2,985,846	2,721,878	-	2,721,878
	<u>6,495,937</u>	<u>-</u>	<u>6,495,937</u>	<u>5,611,819</u>	<u>-</u>	<u>5,611,819</u>
Management and general	690,246	-	690,246	710,769	-	710,769
Fund-raising	1,688,933	-	1,688,933	1,307,562	-	1,307,562
	<u>2,379,179</u>	<u>-</u>	<u>2,379,179</u>	<u>2,018,331</u>	<u>-</u>	<u>2,018,331</u>
Total Expenses	<u>8,875,116</u>	<u>-</u>	<u>8,875,116</u>	<u>7,630,150</u>	<u>-</u>	<u>7,630,150</u>
Change in Net Assets	439,150	(127,791)	311,359	67,822	151,340	219,162
Net Assets, Beginning of Year	<u>2,212,316</u>	<u>1,313,727</u>	<u>3,526,043</u>	<u>2,144,494</u>	<u>1,162,387</u>	<u>3,306,881</u>
Net Assets, End of Year	<u>\$ 2,651,466</u>	<u>\$ 1,185,936</u>	<u>\$ 3,837,402</u>	<u>\$ 2,212,316</u>	<u>\$ 1,313,727</u>	<u>\$ 3,526,043</u>

See accompanying notes and independent auditors' report

SLAVIC GOSPEL ASSOCIATION

Statement of Functional Expenses

Year Ended June 30, 2021

	Program			Total	Management and General	Fund- Raising	Total
	Training	Equipping	Sponsoring				
Salary, benefits and taxes	\$ 193,120	\$ 335,975	\$ 321,565	\$ 850,660	\$ 489,558	\$ 517,653	\$ 1,857,871
Professional services	35,849	32,410	13,516	81,775	56,885	494,726	633,386
Printing and mailing services	-	-	-	-	-	219,042	219,042
Promotion	-	-	-	-	-	167,138	167,138
Office expenses	3,868	11,643	11,107	26,618	28,935	221,099	276,652
Travel	34,410	84,820	17,683	136,913	6,154	31,651	174,718
Contributions to global/local partners	861,628	1,766,456	2,568,147	5,196,231	-	-	5,196,231
Information technology	1,076	1,493	206	2,775	18,492	11,264	32,531
Occupancy	6,055	21,170	3,034	30,259	47,149	10,082	87,490
Depreciation	2,170	4,508	2,986	9,664	45,025	12,648	67,337
Other	7,770	105,670	47,602	161,042	(1,952)	3,630	162,720
Total Expenses	\$ 1,145,946	\$ 2,364,145	\$ 2,985,846	\$ 6,495,937	\$ 690,246	\$ 1,688,933	\$ 8,875,116

The 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 depreciation and occupancy, which are allocated on a square footage basis, as well as salaries, benefits and taxes, travel, and certain office expenses, which are allocated on the basis of estimates of time and effort.

See accompanying notes and independent auditors' report

SLAVIC GOSPEL ASSOCIATION

Statement of Functional Expenses

Year Ended June 30, 2020

	Program			Total	Management and General	Fund- Raising	Total
	Training	Equipping	Sponsoring				
Salary, benefits and taxes	\$ 187,309	\$ 338,416	\$ 314,923	\$ 840,648	\$ 477,688	\$ 483,768	\$ 1,802,104
Professional services	43,872	21,262	13,564	78,698	36,169	375,451	490,318
Printing and mailing services	-	-	-	-	-	149,094	149,094
Promotion	-	-	-	-	-	53,615	53,615
Office expenses	5,231	10,582	7,382	23,195	28,711	159,954	211,860
Travel	77,388	70,358	19,930	167,676	12,188	47,940	227,804
Contributions to global/local partners	858,145	1,098,308	2,318,823	4,275,276	-	-	4,275,276
Information technology	316	1,570	324	2,210	23,931	11,702	37,843
Occupancy	4,916	23,206	5,230	33,352	42,654	11,969	87,975
Depreciation	4,231	9,262	7,093	20,586	41,938	10,315	72,839
Other	13,056	122,513	34,609	170,178	47,490	3,754	221,422
Total Expenses	\$ 1,194,464	\$ 1,695,477	\$ 2,721,878	\$ 5,611,819	\$ 710,769	\$ 1,307,562	\$ 7,630,150

The 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 depreciation and occupancy, which are allocated on a square footage basis, as well as salaries, benefits and taxes, travel, and certain office expenses, which are allocated on the basis of estimates of time and effort.

See accompanying notes and independent auditors' report

SLAVIC GOSPEL ASSOCIATION

Statements of Cash Flows

	Years Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 311,359	\$ 219,162
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions of marketable securities	(240,003)	(70,151)
Forgiveness of debt	(301,600)	-
(Increase) decrease in value of remainder unitrusts	(7,011)	907
(Gain) loss from investments	(25,288)	28,329
Change in actuarial value of split-interest agreements	(6,687)	(18,860)
Change in actuarial value of accrued post-retirement benefits	(2,027)	51,172
Depreciation	67,337	72,839
Loss on disposals of property and equipment	23,145	-
Change in:		
Prepaid expenses	(12,945)	6,787
Other assets	9,322	13,347
Funds held in trust by others	387,740	(123,767)
Accounts payable	49,263	(65,038)
Accrued payroll and related liabilities	13,656	14,964
Post-retirement benefit obligation	(26,250)	(27,492)
Net Cash Provided by Operating Activities	<u>240,011</u>	<u>102,199</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	460,303	1,422,123
Purchases of investments	(231,744)	(1,031,039)
Purchases of property and equipment	(112,616)	(16,284)
Net Cash Provided by Investing Activities	<u>115,943</u>	<u>374,800</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments made to split-interest agreement beneficiaries	(5,504)	(2,693)
Proceeds from debt	-	301,600
Net Cash (Used) Provided by Financing Activities	<u>(5,504)</u>	<u>298,907</u>
Change in Cash and Cash Equivalents	350,450	775,906
Cash and Cash Equivalents, Beginning of Year	<u>3,024,745</u>	<u>2,248,839</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,375,195</u>	<u>\$ 3,024,745</u>

See accompanying notes and independent auditors' report

SLAVIC GOSPEL ASSOCIATION

Notes to Financial Statements

June 30, 2021 and 2020

1. NATURE OF ORGANIZATION

Slavic Gospel Association (SGA) is an interdenominational, evangelical missionary organization dedicated to helping evangelical churches make disciples of the people in the lands of Russia for our Lord and Savior, Jesus Christ, through prayer, strategic ministry and financial assistance. Its main objectives are to stimulate, develop and maintain a vital, growing base of faithful prayer support; to strengthen and encourage evangelical churches, the other SGA international ministries, and other like-minded parachurch ministries; to provide for the training and equipping of national pastors, missionaries, church planters and lay workers; to secure and coordinate the sponsorship and equipping of national missionaries, church planters and local churches; to equip local churches for strategic outreach ministries; to assist in the development of church-based media ministries; to provide Russian- language Bibles, New Testaments, Bible study tools, theology texts, commentaries, etc., as well as literature for evangelism and discipleship to facilitate the achievement of the previously stated objectives. The financial statements do not include the financial position, results of activities or cash flows of SGA's affiliated organizations in Canada, Germany, the United Kingdom, the former Soviet Union, New Zealand or Australia, due to their financial and administrative independence.

As a faith mission, SGA is dependent upon God as He moves the hearts of interested individuals, local churches and other organizations to meet financial needs. Strict fiscal integrity is maintained. The mission is a charter member of the Evangelical Council for Financial Accountability.

SGA is nonprofit corporation incorporated in Illinois and is exempt from federal taxes under section 501(c)(3) of the United States Internal Revenue Code (code) and comparable state law, and has been defined as a publicly supported organization that is not a private foundation under Section 509(a)(1) of the code. Contributions to SGA are tax deductible within the limits prescribed by the code.

Support for SGA's ministry comes primarily from donor contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of SGA have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are summarized below.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in interest bearing accounts (checking and savings), money market accounts, highly liquid investments with original maturities of less than 90 days, and cash held by overseas partners not yet spent. Cash accounts may, at times, exceed federally insured limits. At June 30, 2021 and 2020, SGA's cash balances exceeded federally insured limits by \$1,705,987 and \$1,482,029, respectively. SGA has not experienced any loss on these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

SLAVIC GOSPEL ASSOCIATION

Notes to Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

INVESTMENTS AND ASSETS HELD UNDER SPLIT-INTEREST AGREEMENTS

Investments and assets held under split-interest agreements consist primarily of managed portfolios of cash equivalents, mutual funds and exchange-traded funds. Funds held in these managed portfolios are classified as available for sale and carried at fair value based on quoted prices in active markets where applicable and estimated market value when no ready market exists. For purposes of determining gross realized gains and losses, the cost of securities sold is based on specific identification. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Donated investments are reported at market value at the date of donation and thereafter carried in accordance with the above policies.

During the year ended June 30, 2021, SGA extended offers to the beneficiaries of the annuity contracts to terminate the contracts for lump-sum payments. All of these offers were accepted, which enabled SGA to release the encumbrance on the assets held under split-interest agreements; this portfolio is thus also being reported as investments on the statements of financial position as of June 30, 2021.

During the year ended June 30, 2021, SGA received as a contribution a 20 percent share in 14,052 partner units in a gold mining limited partnership. Because this investment is not a publicly-traded holding and because determining the fair value would entail costly appraisals, it is being reported on the cost basis of accounting. SGA recorded an initial basis in this holding of \$217,600, which is based on a professional appraisal of fair value obtained by the donor in August 2019. Further, because of the volatile and uncertain nature of this holding, SGA is accounting for any distributions received as return of principal, thereby reducing its basis in this investment over time. SGA will continue to apply distributions as return of principal until the remaining basis equals \$10,000, which will then remain the basis until the partnership terminates or is sold. The basis in this holding at June 30, 2021 is \$110,961.

PREPAID EXPENSES

Prepaid expenses at June 30, 2021 and 2020 consist of expenditures for insurance, postage, travel and other operating costs which were paid prior to the end of the fiscal years but which benefit the subsequent fiscal years.

OTHER ASSETS

Other assets consists of employee advances, vendor credit memos and contributions receivable at June 30, 2021 and 2020.

FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others consists of assets due to SGA from estates and trusts. SGA reports amounts due from planned giving if the gift is irrevocable and the amount expected to be received can be determined in a reasonable manner.

PROPERTY AND EQUIPMENT

Property and equipment are reported at cost, estimated cost or fair value. Expenditures for property and equipment in excess of \$1,500 are capitalized at cost when purchased. Donated items are reported at their estimated fair values as of the date the gifts are received. Depreciation is reported using the straight-line method over the estimated useful lives of the assets, which range from three to thirty years. Depreciation expense was and \$67,337 and \$72,839 for the years ended June 30, 2021 and 2020, respectively.

SLAVIC GOSPEL ASSOCIATION

Notes to Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

POST-RETIREMENT BENEFIT OBLIGATION

The post-retirement benefit obligation is the estimated present value of future health and life insurance costs over the actuarially determined lives of plan participants. SGA provides Medicare supplemental and life insurance benefits to employees who had 25 years of ministry prior to 1993. Medicare supplemental coverage for retiree and spouse continues for the lifetime of each individual. The life insurance coverage is fixed at \$15,000 for employees under 70 and is reduced to \$7,500 at age 70. The spouse coverage is fixed at \$5,000 and is not to exceed 50% of the amount in force for the employee. Upon the employee's death, the spouse coverage is terminated. SGA accrues the cost of these post-retirement benefits over the term of employment.

NET ASSETS

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net asset and changes in net assets therein are reported as follows:

NET ASSETS WITHOUT DONOR RESTRICTIONS are net assets available for use in general operations and not subject to donor or certain grantor-imposed restrictions. The net investment in property and equipment is reported to clarify that this component of net assets without donor restrictions is not available for current expenditure. At both June 30, 2021 and 2020, the board has also designated \$870,564 of net assets without donor restrictions for an operating reserve, from which funds can be drawn with board approval.

NET ASSETS WITH DONOR RESTRICTIONS are net assets subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, for which the donor stipulates the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

SUPPORT AND REVENUE

Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions of assets other than cash and services are reported at their estimated fair value. SGA reports donations of property and equipment as contributions without donor restriction unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with restrictions regarding their use and contributions of cash to acquire property are reported as contributions with donor restrictions.

All other revenues are reported when earned.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported when incurred, that is, when the purchased goods or services have been received.

The costs of program, management and fund-raising activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program, management and fund-raising activities benefitting from those expenditures.

SLAVIC GOSPEL ASSOCIATION

Notes to Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

FUNCTIONAL ALLOCATION OF EXPENSES, continued

Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. At SGA the methods used to allocate costs among program and support functions vary depending upon the nature of the expense category. Compensation related expenses are allocated based on proportional estimates of paid time spent in each functional area of performance. Occupancy and depreciation costs are allocated to each functional area based on proportional estimates of facility and equipment usage. Other expenses are allocated based on the guidelines defining the nature of the program, management or fund-raising expenses and the associated estimates of time and effort.

JOINT COSTS

Joint costs are costs incurred in activities that involve a combination of fund-raising and program and/or management and general activities. SGA incurred joint costs totaling \$335,134 and \$287,205 for certain advancement projects during the years ended June 30, 2021 and 2020, respectively. Of these costs, 38 percent and 26 percent were allocated to fund-raising (advancement), 10 percent and 13 percent to management and general, and 52 percent and 61 percent to program activities for the years ended June 30, 2021 and 2020, respectively.

LIQUIDITY AND AVAILABILITY

SGA has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure as detailed below. The amounts shown below are net of financial assets required to meet donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

	June 30,	
	2021	2020
Cash and cash equivalents	\$ 3,375,195	\$ 3,024,745
Investments	269,915	109,205
Funds held in trust by others	153,077	533,806
Assets held under split-interest agreements	-	123,978
Less:		
Assets held under split-interest agreements	-	(123,978)
Board-designated for operating reserves	(870,564)	(870,564)
Donor-restricted net assets:		
Time	(153,077)	(533,806)
Purpose	(1,032,859)	(779,921)
	<u>\$ 1,741,687</u>	<u>\$ 1,483,465</u>

SGA maintains bank checking accounts and money market accounts for liquidity management.

SLAVIC GOSPEL ASSOCIATION

Notes to Financial Statements

June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

RECLASSIFICATIONS

Certain reclassifications, specifically adjustments between other assets and accounts payable, have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported activities or net assets.

3. INVESTMENTS AND ASSETS HELD UNDER SPLIT-INTEREST AGREEMENTS

Investments consist of the following:

	June 30, 2021		
	Market Value	Carrying Value	Unrealized Gains
Cash and cash equivalents	\$ 4,476	\$ 4,476	\$ -
Fixed income mutual funds and ETFs	54,449	53,603	846
Equity growth and income mutual funds and ETFs	84,468	57,231	27,237
Alternative investment mutual funds, ETFs and limited partnerships	126,522	125,302	1,220
	<u>\$ 269,915</u>	<u>\$ 240,612</u>	<u>\$ 29,303</u>

	June 30, 2020		
	Market Value	Carrying Value	Unrealized Gains
Fixed income mutual funds	\$ 99,992	\$ 99,992	\$ -
Equity growth and income mutual funds and ETFs	9,213	8,526	687
	<u>\$ 109,205</u>	<u>\$ 108,518</u>	<u>\$ 687</u>

Assets held under split-interest agreements at June 30, 2020 consist of the following:

	Market Value	Carrying Value	Unrealized Gains (Losses)
Cash and cash equivalents	\$ 1,741	\$ 1,741	\$ -
Fixed income ETFs and mutual funds	53,691	53,004	687
Equity ETFs and mutual funds	48,570	45,668	2,902
Alternative ETFs and mutual funds	19,976	21,139	(1,163)
	<u>\$ 123,978</u>	<u>\$ 121,552</u>	<u>\$ 2,426</u>

SGA accounts for most investments at fair value (as described in Note 2, SGA accounts for the gold mining limited partnership using the cost basis), which is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

SLAVIC GOSPEL ASSOCIATION

Notes to Financial Statements

June 30, 2021 and 2020

3. INVESTMENTS AND ASSETS HELD UNDER SPLIT-INTEREST AGREEMENTS, continued
 Financial accounting standards have established a hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Under the standards, three levels of inputs that may be used to measure fair value:

Level 1 - In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that SGA has the ability to access.

Level 2 - Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - Level 3 inputs are unobservable inputs including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. SGA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Investments are held and managed by Morgan Stanley and include allocations to money funds, mutual funds and exchange traded products. Management has concluded the value of all holdings in the portfolio are determined using Level 1 measurement inputs.

Holdings by fair value level are as follows:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Morgan Stanley	\$ 143,855	\$ -	\$ -	\$ 143,855
Amundi Pioneer	15,099	-	-	15,099
Ordrich Gold Reserves Limited Partnership	-	-	110,961	110,961
	<u>\$ 158,954</u>	<u>\$ -</u>	<u>\$ 110,961</u>	<u>\$ 269,915</u>
	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Morgan Stanley	\$ 223,970	\$ -	\$ -	\$ 223,970
Amundi Pioneer	9,213	-	-	9,213
	<u>\$ 233,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,183</u>

SLAVIC GOSPEL ASSOCIATION

Notes to Financial Statements

June 30, 2021 and 2020

3. INVESTMENTS AND ASSETS HELD UNDER SPLIT-INTEREST AGREEMENTS, continued
Investment income consists of the following:

	Year Ended June 30,	
	2021	2020
Dividends and interest	\$ 2,097	\$ 28,867
Realized losses	(5,113)	(30,085)
Unrealized gains	24,796	25,160
Investment management fees	(1,030)	(4,165)
	<u>\$ 20,750</u>	<u>\$ 19,777</u>

4. PROPERTY AND EQUIPMENT
Property and equipment consists of the following:

	June 30,	
	2021	2020
Land	\$ 278,324	\$ 278,324
Buildings and improvements	1,221,612	1,182,894
Furniture and equipment - Note 5	605,636	619,962
Vehicles - Note 5	11,612	75,834
Accumulated depreciation	(1,547,330)	(1,609,294)
	<u>\$ 569,854</u>	<u>\$ 547,720</u>

5. DEBT

SGA received a loan of \$301,600 under the federal Paycheck Protection Program in April 2020. The loan was unsecured with an interest rate of 1 percent per annum and an April 2022 maturity date. This loan was forgiven in full by the Small Business Administration in April 2021 and is reported as other income on the statements of activities for the year ended June 30, 2021.

SGA has a \$250,000 bank line of credit which is secured by all financial assets and personal property and matures January 2022. Amounts borrowed under this agreement bear interest at the bank's prime rate plus one percent (effective rate of 4.25 percent per annum at June 30, 2021). This line was not utilized during the years ended June 30, 2021 and 2020.

6. POST-RETIREMENT BENEFIT OBLIGATION

The post-retirement benefit obligation is reported based on the present value of future health care costs over the actuarially-determined lives of the participants. SGA provides Medicare supplemental and life insurance benefits to employees who had 25 years of ministry prior to 1993. Medicare supplemental coverage for retiree and spouse continues for the lifetime of each individual. The life insurance coverage is fixed at \$15,000 for employees under 70 and is reduced to \$7,500 at age 70. The spouse coverage is fixed at \$5,000 and is not to exceed 50% of the amount in force for the employee. Upon the employee's death, the spouse coverage is terminated. SGA accrues the cost of these postretirement benefits over the term of employment.

SLAVIC GOSPEL ASSOCIATION

Notes to Financial Statements

June 30, 2021 and 2020

6. POST-RETIREMENT BENEFIT OBLIGATION, continued

The plan's current and future benefits are funded by the unrestricted, undesignated net assets of SGA. Components of the accrued post-retirement benefit obligation are as follows:

	June 30,	
	2021	2020
Accumulated post-retirement benefit obligation (APBO):		
Retirees	\$ 299,445	\$ 327,722
Plan assets	-	-
APBO in excess of plan assets	299,445	327,722
Unrecognized net gain from past experience different from that accrued and from changes in assumptions	-	-
Accrued post-retirement benefit obligation	<u>\$ 299,445</u>	<u>\$ 327,722</u>

Benefits expected to be paid in the next ten years are as follows:

Years Ending June 30,	
2022	\$ 34,143
2023	31,720
2024	29,153
2025	26,557
2026	24,017
Aggregate for next five fiscal years	<u>88,084</u>
	<u>\$ 233,674</u>

Annual net periodic post-retirement benefit activity is as follows:

	Year Ended June 30,	
	2021	2020
Employer contributions	<u>\$ 26,250</u>	<u>\$ 27,492</u>
Benefits paid	<u>\$ 26,250</u>	<u>\$ 27,492</u>
Interest cost on APBO	\$ 4,056	\$ 8,039
Other	-	-
Net periodic post-retirement benefit cost	<u>\$ 4,056</u>	<u>\$ 8,039</u>

SLAVIC GOSPEL ASSOCIATION

Notes to Financial Statements

June 30, 2021 and 2020

6. POST-RETIREMENT BENEFIT OBLIGATION, continued

Weighted-average assumption and method disclosures are as follows:

	June 30,	
	2021	2020
Discount rate	1.56%	1.31%
Average life expectancy of participants	6.57 years	7.12 years

For both years ended June 30, 2021 and 2020, SGA assumed a health care trend rate of 8.0 percent for calculating the postretirement benefit obligation. Future assumed health care trend rates are as follows:

<u>Year Ending June 30,</u>	<u>Percent</u>
2022	7.50
2023	7.00
2024	6.50
2025	6.00
2026	5.50
2027	5.00
2028	4.75
Subsequent years	4.50

7. ANNUITIES PAYABLE

Annuity agreements provide for a fixed annual payment for the life of the donor or designated beneficiary. Under an annuity agreement a donor makes a payment to SGA and is entitled to annual payments from SGA until death. At the inception of the agreement, the excess of the amount paid by the donor over the present value of estimated annual payments is recorded as contribution revenue and the present value of the estimated payments is recorded as a liability. Contributions received from annuity agreements are classified as unrestricted revenues because donors have not specified restrictions regarding the use of these funds.

The discount rate used to calculate the present value of the annuity contracts was 3.0 percent with actuarial assumptions based on published life expectancy tables prescribed by the IRS.

During the year ended June 30, 2021, SGA extended offers to the beneficiaries of the annuity contracts to terminate the contracts for lump-sum payments. All of these offers were accepted, enabling SGA to issue final beneficiary payments and terminate the contracts prior to June 30, 2021.

SLAVIC GOSPEL ASSOCIATION

Notes to Financial Statements

June 30, 2021 and 2020

8. NET ASSETS WITH DONOR RESTRICTIONS

Changes in and year-end balances of net assets with donor restrictions are as follows:

	June 30, 2019	Contributions	Released From Restriction	June 30, 2020
Subject to the passage of time				
Funds held in trust by others	\$ 410,946	\$ 486,917	\$ 364,057	\$ 533,806
Subject to expenditure for specified purpose				
Bibles and literature	\$ 65,649	\$ 38,385	\$ 22,083	\$ 81,951
Church planter program	54,431	1,561,121	1,533,445	82,107
Missionary support	124,018	324,377	295,661	152,734
Outreach programs	507,343	1,794,460	1,861,817	439,986
Training programs	-	504,679	481,536	23,143
	<u>751,441</u>	<u>4,223,022</u>	<u>4,194,542</u>	<u>779,921</u>
	<u>\$ 1,162,387</u>	<u>\$ 4,709,939</u>	<u>\$ 4,558,599</u>	<u>\$ 1,313,727</u>
	June 30, 2020	Contributions	Released From Restriction	June 30, 2021
Subject to the passage of time				
Funds held in trust by others	\$ 533,806	\$ 120,936	\$ 501,665	\$ 153,077
Subject to expenditure for specified purpose				
Bibles and literature	\$ 81,951	\$ 33,050	\$ 3,124	111,877
Church planter program	82,107	1,739,582	1,686,072	135,617
Missionary support	152,734	306,807	285,958	173,583
Outreach programs	439,986	2,136,187	2,023,275	552,898
Training programs	23,143	746,642	710,901	58,884
	<u>779,921</u>	<u>4,962,268</u>	<u>4,709,330</u>	<u>1,032,859</u>
	<u>\$ 1,313,727</u>	<u>\$ 5,083,204</u>	<u>\$ 5,210,995</u>	<u>\$ 1,185,936</u>

9. RETIREMENT PLAN

SGA provides a 403(b) retirement plan that covers all full-time employees. Employees are immediately fully vested. Effective July 2015, for employees with three or more years of service, SGA matches 50 percent of employee contributions up to 6 percent of the annual base salary, for a maximum employer match of 3 percent. Employer contributions to the plan for the years ended June 30, 2021 totaled \$25,257 and \$23,453, respectively.

SLAVIC GOSPEL ASSOCIATION

Notes to Financial Statements

June 30, 2021 and 2020

10. TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

During the years ended June 30, 2021 and 2020, SGA transferred \$4,356 and \$9,517, respectively, to Slavic Gospel Association, Canada for missionary and ministry activities.

During the years ended June 30, 2021 and 2020, amounts received and reported as revenue from SGA affiliates totaled \$855,372 and \$553,935, respectively.

Amounts reported as accounts receivable from SGA affiliates totaled \$2,470 and \$1,800 at June 30, 2021 and 2020, respectively.

11. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through September 7, 2021, the date these financial statements were available to be issued. No such significant events or transactions were identified.

The COVID-19 pandemic has cast uncertainty over many things. While the long-term effects of the pandemic could negatively affect SGA's financial position, cash flows and results of activities, any such effects cannot be reasonably estimated at this time.