

**EVANGELICAL COUNCIL FOR
FINANCIAL ACCOUNTABILITY**

Winchester, Virginia

FINANCIAL REPORT

DECEMBER 31, 2024

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800.464.1976

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Evangelical Council for Financial Accountability
Winchester, Virginia

Opinion

We have audited the financial statements of the Evangelical Council for Financial Accountability ("ECFA"), which comprise the statements of financial position as of December 31, 2024 and 2023, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ECFA as of December 31, 2024 and 2023, and the change in its net assets, functional expenses 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ECFA 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 ECFA'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ECFA'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.

Yount, Hyde & Barbours, P.C.

Winchester, Virginia
March 3, 2025

EVANGELICAL COUNCIL FOR FINANCIAL ACCOUNTABILITY

Statements of Financial Position

December 31, 2024 and 2023

Assets	2024	2023
Current Assets		
Cash and cash equivalents	\$ 3,472,404	\$ 4,183,800
Certificates of deposit	2,448,266	760,336
Grant and pledge receivable	115,481	2,235,628
Other assets	<u>140,775</u>	<u>63,066</u>
Total current assets	<u>6,176,926</u>	<u>7,242,830</u>
Long-Term Assets		
Deferred compensation trust	244,623	291,702
Property, furniture, and equipment, net	<u>1,751,208</u>	<u>1,259,793</u>
Total long-term assets	<u>1,995,831</u>	<u>1,551,495</u>
 Total assets	 <u>\$ 8,172,757</u>	 <u>\$ 8,794,325</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 197,289	\$ 194,521
Deferred membership fees	<u>644,341</u>	<u>580,900</u>
Total current liabilities	<u>841,630</u>	<u>775,421</u>
Long-Term Liabilities,		
Liability for deferred compensation	<u>244,623</u>	<u>291,702</u>
 Total liabilities	 <u>1,086,253</u>	 <u>1,067,123</u>
 Net Assets		
Net Assets Without Donor Restrictions		
Net investment in property, furniture, and equipment	1,751,208	1,259,793
Board designated cash reserve	1,850,000	1,850,000
Other	<u>2,114,815</u>	<u>2,298,448</u>
	<u>5,716,023</u>	<u>5,408,241</u>
 Net Assets With Donor Restrictions	 <u>1,370,481</u>	 <u>2,318,961</u>
Total net assets	<u>7,086,504</u>	<u>7,727,202</u>
 Total liabilities and net assets	 <u>\$ 8,172,757</u>	 <u>\$ 8,794,325</u>

See Notes to Financial Statements.

EVANGELICAL COUNCIL FOR FINANCIAL ACCOUNTABILITY

Statement of Activities

For the Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Membership fees	\$ 5,590,845	\$ --	\$ 5,590,845
Contributions	21,599	9,854	31,453
Publications	16,935	--	16,935
Application fees	31,901	--	31,901
Workshops and webinars	12,987	--	12,987
Interest	194,929	--	194,929
Other revenue and gains	14,564	--	14,564
Net assets released from restriction	<u>958,334</u>	<u>(958,334)</u>	<u>--</u>
Total revenue	<u>6,842,094</u>	<u>(948,480)</u>	<u>5,893,614</u>
Expenses			
Program services:			
Accreditation and education	5,122,593	--	5,122,593
Member services	<u>503,100</u>	<u>--</u>	<u>503,100</u>
	5,625,693	--	5,625,693
Management and general	878,991	--	878,991
Fundraising	<u>29,628</u>	<u>--</u>	<u>29,628</u>
Total expenses	<u>6,534,312</u>	<u>--</u>	<u>6,534,312</u>
Change in net assets	307,782	(948,480)	(640,698)
Net Assets, beginning of year	<u>5,408,241</u>	<u>2,318,961</u>	<u>7,727,202</u>
Net Assets, end of year	<u>\$ 5,716,023</u>	<u>\$ 1,370,481</u>	<u>\$ 7,086,504</u>

See Notes to Financial Statements.

EVANGELICAL COUNCIL FOR FINANCIAL ACCOUNTABILITY

Statement of Activities

For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Membership fees	\$ 5,495,346	\$ --	\$ 5,495,346
Contributions	17,430	2,000,000	2,017,430
Publications	22,432	--	22,432
Application fees	32,070	--	32,070
Workshops and webinars	21,767	--	21,767
Interest	156,055	--	156,055
Other revenue and gains	10,991	--	10,991
Net assets released from restriction	<u>208,333</u>	<u>(208,333)</u>	<u>--</u>
Total revenue	<u>5,964,424</u>	<u>1,791,667</u>	<u>7,756,091</u>
Expenses			
Program services:			
Accreditation and education	4,431,200	--	4,431,200
Member services	<u>369,902</u>	<u>--</u>	<u>369,902</u>
	4,801,102	--	4,801,102
Management and general	712,693	--	712,693
Fundraising	<u>26,617</u>	<u>--</u>	<u>26,617</u>
Total expenses	<u>5,540,412</u>	<u>--</u>	<u>5,540,412</u>
Change in net assets	424,012	1,791,667	2,215,679
Net Assets, beginning of year	<u>4,984,229</u>	<u>527,294</u>	<u>5,511,523</u>
Net Assets, end of year	<u>\$ 5,408,241</u>	<u>\$ 2,318,961</u>	<u>\$ 7,727,202</u>

See Notes to Financial Statements.

EVANGELICAL COUNCIL FOR FINANCIAL ACCOUNTABILITY

Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program Services			Fundraising	Total
	Accreditation and Education	Member Services	Management and General		
Employee costs	\$ 3,801,057	\$ 224,915	\$ 449,829	\$ 22,492	\$ 4,498,293
Fees for service	66,545	--	301,095	--	367,640
Advertising and promotion	444,057	98,277	--	--	542,334
Office expenses	160,166	9,534	19,067	1,906	190,673
Information technology	345,321	20,556	41,110	4,110	411,097
Occupancy	46,248	2,753	5,506	550	55,057
Travel	69,780	29,523	31,841	--	131,144
Conferences, conventions, and meetings	114,690	114,690	--	--	229,380
Depreciation and amortization	47,912	2,852	5,704	570	57,038
Insurance	--	--	24,839	--	24,839
Grants to other organizations	26,239	--	--	--	26,239
Cost of goods sold	578	--	--	--	578
Total	<u>\$ 5,122,593</u>	<u>\$ 503,100</u>	<u>\$ 878,991</u>	<u>\$ 29,628</u>	<u>\$ 6,534,312</u>

See Notes to Financial Statements.

EVANGELICAL COUNCIL FOR FINANCIAL ACCOUNTABILITY

Statement of Functional Expenses
For the Year Ended December 31, 2023

	<u>Program Services</u>		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Accreditation and Education</u>	<u>Member Services</u>			
Employee costs	\$ 3,247,067	\$ 192,135	\$ 384,268	\$ 19,214	\$ 3,842,684
Fees for service	25,473	--	196,273	--	221,746
Advertising and promotion	359,858	21,353	--	--	381,211
Office expenses	194,584	11,583	23,165	2,316	231,648
Information technology	322,884	19,220	38,439	3,843	384,386
Occupancy	57,259	3,408	6,816	682	68,165
Travel	44,363	21,443	35,411	--	101,217
Conferences, conventions, and meetings	97,950	97,949	--	--	195,899
Depreciation and amortization	47,215	2,811	5,620	562	56,208
Insurance	--	--	22,701	--	22,701
Grants to other organizations	34,000	--	--	--	34,000
Cost of goods sold	547	--	--	--	547
Total	<u>\$ 4,431,200</u>	<u>\$ 369,902</u>	<u>\$ 712,693</u>	<u>\$ 26,617</u>	<u>\$ 5,540,412</u>

See Notes to Financial Statements.

EVANGELICAL COUNCIL FOR FINANCIAL ACCOUNTABILITY

Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ (640,698)	\$ 2,215,679
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	57,038	56,208
(Increase) decrease in:		
Grant and pledge receivable	2,120,147	(1,875,000)
Other assets	(77,709)	(16,692)
Deferred compensation trust	47,079	45,495
Increase (decrease) in:		
Accounts payable and accrued expenses	2,768	(1,053)
Deferred membership fees	63,441	74,242
Liability for deferred compensation	(47,079)	(45,495)
Net cash provided by operating activities	1,524,987	453,384
 Cash Flows from Investing Activities		
Purchases of certificate of deposit	(2,468,959)	(760,336)
Proceeds from redemption of certificate of deposit	781,029	753,121
Purchases of property, furniture, and equipment	(548,453)	(102,979)
Net cash (used in) investing activities	(2,236,383)	(110,194)
 Net change in cash and cash equivalents	(711,396)	343,190
 Cash and Cash Equivalents, beginning of year	4,183,800	3,840,610
 Cash and Cash Equivalents, end of year	\$ 3,472,404	\$ 4,183,800

See Notes to Financial Statements.

EVANGELICAL COUNCIL FOR FINANCIAL ACCOUNTABILITY

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies

Organization

The Evangelical Council for Financial Accountability (ECFA) exists to enhance trust in Christ-centered churches and ministries. To attain and maintain ECFA accreditation, a church or ministry must demonstrate annually its compliance with ECFA's biblically based *Seven Standards of Responsible Stewardship*.™ When an organization earns the right to display the ECFA seal, it signals to its constituents, donors, and a watching world that it is dedicated to accountability, integrity, and responsible governance. ECFA prioritizes ongoing support for its members all year long (not just at membership renewal time) through trust-building educational resources, tax guides, webinars, survey findings, and public policy services. These activities are funded primarily by membership fees.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations.

Basis of Presentation

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

Net Assets Without Donor Restrictions - net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - net assets subject to donor-imposed stipulations that will be met either by actions of ECFA or the passage of time, or maintained in perpetuity.

Cash and Cash Equivalents

Cash and cash equivalents consist of financial instruments with original maturities of 90 days or less. At times, ECFA's cash balances may exceed federally insured limits. ECFA has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Certificates of Deposit

Certificates of deposit are carried at cost plus accrued interest which approximates fair value. The certificates had interest rates of 2.85% to 4.13% and had maturities from January 2, 2025 to July 3, 2025 as of December 31, 2024.

Notes to Financial Statements

Fair Value

ECFA values certain assets at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 - Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 - Unobservable inputs in which there is little or no market data, which require the entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used at December 31, 2024 or 2023.

Deferred compensation trust investments consist of mutual funds which fall under Level 1 of the fair value hierarchy.

Grant and Pledge Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount is computed using risk-free interest rates applicable to the years in which the promises are received (4.04%) and were \$9,519 and \$14,372 as of December 31, 2024 and 2023. As of December 31, 2024 and 2023, the grant and pledge receivable balance was \$115,481 and \$2,235,628, respectively. There is no allowance as of December 31, 2024 and 2023.

Amounts due in:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 125,000	\$ 2,125,000
One to five years	<u>- -</u>	<u>125,000</u>
	125,000	2,250,000
Less discount	<u>(9,519)</u>	<u>(14,372)</u>
	<u>\$ 115,481</u>	<u>\$ 2,235,628</u>

Notes to Financial Statements

Deferred Compensation Trust

ECFA established a Rabbi Trust in 2000 for certain officers of ECFA. The sum of the deferred payments to the trust for a calendar year may not exceed the maximum deferred amount authorized under IRC Section 457(b), adjusted for the calendar year to reflect increases in cost-of-living in accordance with IRC Section 457(e)(15) and 415(d). There were no contributions by ECFA to the trust during the years ended December 31, 2024 and 2023.

Property, Furniture, and Equipment

Furniture and equipment purchases over \$5,000 are recorded at the original cost and depreciated on a straight-line basis over estimated lives of three to seven years. Software is amortized over a three-year period. The building is depreciated over a period of approximately forty years.

Internal-Use Software Costs

ECFA capitalizes costs to develop software for internal use incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Once an application has reached the development state, management has authorized and committed to the funding of the software project, it is probable the project will be completed and the software will be used to perform the function intended, internal and external costs, if direct and incremental, are capitalized until the application is substantially complete and ready for its intended use. Internal use software costs are reported with property, furniture, and equipment.

Revenue Recognition

Membership Fees - ECFA membership is voluntary. Fees are based on amounts received by the individual member organizations. Membership fees are recognized as revenue for the calendar year when the accreditation has been approved for renewal subject to the payment of the fee. Membership fees collected in advance and for which performance obligations have not been satisfied are included in deferred revenue and were \$644,341 and \$580,900 as of December 31, 2024 and 2023, respectively. The opening balance of deferred revenue at January 1, 2023 was \$506,658. ECFA does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset as of December 31, 2024 and 2023.

Publications - Publication revenue is recognized when the publication is shipped.

Contributions - ECFA recognizes all unconditional contributions received as income in the period received or pledged. Unconditional contributions are reported as with or without donor restriction depending on the absence or existence of donor stipulations that limit the use of the contributions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Application Fees - Application fees are nonrefundable and are paid by all applicants when applying for membership. Revenue is recognized when an application fee is received.

Notes to Financial Statements

Functional Expenses

The costs of providing program services and other activities are summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated among program services, management and general and fundraising. Such allocations have been made by management on an equitable basis. The allocation methodology for each natural classification is as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Employee costs	Time and Effort
Fees for service	Direct Allocation
Advertising and promotion	Direct Allocation
Office expenses	Time and Effort
Information technology	Time and Effort
Occupancy	Time and Effort
Travel	Direct Allocation; Time and Effort
Conferences, conventions, and meetings	Time and Effort
Depreciation and amortization	Time and Effort
Insurance	Direct Allocation
Grants to other organizations	Direct Allocation
Cost of goods sold	Direct Allocation

Advertising Costs

ECFA expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2024 and 2023 was \$542,334 and \$381,211, respectively.

Income Taxes

ECFA is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization that is not a private foundation.

ECFA evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2024 and 2023, there are no accruals for uncertain tax positions. If applicable, ECFA records interest and penalties as a component of income tax expense. Tax years from 2021 through the current year remain open for examination by tax authorities.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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 the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements

Subsequent Events

Management has evaluated subsequent events for disclosure in these financial statements through March 3, 2025, which is the date the financial statements are available to be issued. ECFA determined that there were no subsequent events that require recognition or disclosure.

Note 2. Retirement Plan

ECFA sponsors a tax deferred retirement plan pursuant to Section 403(b) of the Internal Revenue Code to provide retirement benefits for all eligible employees. Participating employees may voluntarily contribute up to limits provided by Internal Revenue Service regulations. Annual non-elective contributions are made by ECFA equivalent to 6% of the covered payroll of the participants. Contributions made by ECFA on behalf of the employees for the years ending December 31, 2024 and 2023 were \$164,702 and \$145,363, respectively.

Note 3. Property, Furniture, and Equipment

Property, furniture and equipment consisted of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land	\$ 380,773	\$ 277,871
Building and improvements	1,967,760	1,527,010
Furniture, equipment, and software	335,021	339,482
Construction in progress	<u>4,800</u>	<u>--</u>
Total	2,688,354	2,144,363
Less: Accumulated depreciation and amortization	<u>(937,146)</u>	<u>(884,570)</u>
Total	<u>\$ 1,751,208</u>	<u>\$ 1,259,793</u>

Depreciation and amortization of furniture, equipment and software, for the years ended December 31, 2024 and 2023 was \$13,851 and \$16,943, respectively. Depreciation and amortization of building and improvements was \$43,187 and \$39,265 for the years ended December 31, 2024 and 2023, respectively.

Notes to Financial Statements

Note 4. Liquidity and Funds Available

The following reflects ECFA's financial assets as of December 31, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 3,472,404	\$ 4,183,800
Certificates of deposit	2,448,266	760,336
Accounts receivable (included in other assets)	171	16,029
Grant and pledge receivable	115,481	2,235,628
Financial assets, at year-end	6,036,322	7,195,793
Less net assets with donor restrictions	1,370,481	2,318,961
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,665,841	\$ 4,876,832

ECFA's liquidity management structures financial assets to be available as general expenditures, liabilities, and other obligations come due. Financial assets without donor restrictions are considered available to meet needs for general expenditures within one year.

ECFA invests cash in excess of monthly requirements in certificates of deposit.

In 2020, the ECFA Board of Directors approved a board-designated cash reserve equivalent to approximately five months of operating expenses, totaling \$1,850,000. The cash reserve is available for general expenditure upon approval by the Board.

Note 5. Net Assets With Donor Restrictions

As of December 31, 2024 and 2023, net assets with donor restrictions consisted of:

	December 31, 2024			
	With Donor Restrictions at January 1	Contributions	Satisfaction of Donor Restrictions	With Donor Restrictions at December 31
Leadership integrity initiative	\$ 2,000,000	\$ --	\$ 750,000	\$ 1,250,000
Membership growth initiative	235,627	4,854	125,000	115,481
Book Projects	--	5,000	--	5,000
Church initiative	83,334	--	83,334	--
Total	\$ 2,318,961	\$ 9,854	\$ 958,334	\$ 1,370,481

Notes to Financial Statements

	December 31, 2023			
	With Donor Restrictions at January 1	Contributions	Satisfaction of Donor Restrictions	With Donor Restrictions at December 31
Leadership integrity initiative	\$ --	\$ 2,000,000	\$ --	\$ 2,000,000
Membership growth initiative	360,627	--	125,000	235,627
Church initiative	166,667	--	83,333	83,334
Total	\$ 527,294	\$ 2,000,000	\$ 208,333	\$ 2,318,961

The Leadership Integrity Initiative consists of a grant received in 2023 that will be released over several years for the purpose of releasing a new standard to ECFA's membership and providing leadership resources to serve current members. The membership growth initiative consists of a grant received in 2022 that will be released over several years for the purpose of expanding ECFA's membership and resources to serve current members. Church initiative funds consist of a grant that will be released over several years for services ECFA offers to those pastoral leaders who are most harshly affected by the pandemic and are underrepresented in ECFA's programs.

Note 6. Revenue Concentration

There was no concentration of revenue in 2024. During 2023, ECFA received a significant amount of support from one donor. Support received from this donor amounted to \$2,000,000.