

Gospel Light Mennonite Church
Medical Aid Plan, Inc.
dba Liberty Healthshare
Financial Statements

As of and for the Years Ended
December 31, 2021 and 2020



Rea & associates

www.reacpa.com

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements.....	8 - 13

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Gospel Light Mennonite Church Medical Aid Plan, Inc.
dba Liberty Healthshare
Canton, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gospel Light Mennonite Church Medical Aid Plan, Inc. dba Liberty Healthshare (the Organization), which comprise the statements of financial position as of December 31, 2021, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the Organization 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.

Other Matter

The financial statements of Gospel Light Mennonite Church Medical Aid Plan, Inc. dba Liberty Healthshare for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on July 22, 2021.

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 the Organization's ability to continue as a going concern for the period of one year from the date of this report.

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 the Organization'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 the Organization'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.

Rea & Associates, Inc.

Rea & Associates, Inc.
New Philadelphia, OH
June 27, 2022

GOSPEL LIGHT MENNONITE CHURCH MEDICAL AID PLAN, INC.
DBA LIBERTY HEALTHSHARE

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS:		
Cash and cash equivalents	\$ 17,196,000	\$ 5,830,579
Accounts receivable - member ministry	-	2,342,404
Accounts receivable - other	1,170,612	16,875
Inventory	-	33,228
Deposits	48,418	63,007
Prepaid expenses	650,768	1,012,588
Note receivable - member ministry	-	116,482
Total current assets	19,065,798	9,415,163
PROPERTY AND EQUIPMENT:		
Computers and equipment	1,729,855	1,704,030
Furniture and fixtures	397,686	398,275
Vehicles	28,183	33,183
Software	1,652,903	1,464,707
Building improvements	777,215	758,732
Buildings	2,572,777	2,572,777
Land improvements	214,196	214,196
Land	788,304	788,304
	8,161,119	7,934,204
Less: accumulated depreciation and amortization	3,461,429	2,345,573
Property and equipment, net	4,699,690	5,588,631
Total assets	\$ 23,765,488	\$ 15,003,794

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 120,129	\$ 185,127
Accrued expenses	1,004,098	1,614,676
Loan payable - Payroll Protection Program	3,063,755	3,063,755
Pension payable	182,361	364,722
Total current liabilities	4,370,343	5,228,280
NET ASSETS:		
Without donor restrictions	19,395,145	9,775,514
With donor restrictions	-	-
Total net assets	19,395,145	9,775,514
Total liabilities and net assets	\$ 23,765,488	\$ 15,003,794

The accompanying notes are an integral part of these financial statements.

GOSPEL LIGHT MENNONITE CHURCH MEDICAL AID PLAN, INC.
DBA LIBERTY HEALTHSHARE

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES, GAINS AND OTHER SUPPORT:		
Dues and fees	\$ 52,872,877	\$ 55,713,917
Interest income	161	170
Donation income	50,683	76,641
Total revenues, gains and other support	52,923,721	55,790,728
FUNCTIONAL EXPENSES:		
Program services	20,132,754	26,860,026
Supporting services:		
Management and general	17,836,011	17,130,377
Membership development	5,335,325	9,100,475
Total functional expenses	43,304,090	53,090,878
Change in net assets without donor restriction	9,619,631	2,699,850
CHANGES IN NET ASSETS WITH DONOR RESTRICTION:		
Change in net assets with donor restriction	-	-
CHANGE IN NET ASSETS	9,619,631	2,699,850
BEGINNING OF YEAR, NET ASSETS	\$ 9,775,514	7,075,664
END OF YEAR, NET ASSETS	\$ 19,395,145	\$ 9,775,514

The accompanying notes are an integral part of these financial statements.

GOSPEL LIGHT MENNONITE CHURCH MEDICAL AID PLAN, INC.
DBA LIBERTY HEALTHSHARE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Supporting Services		Total
		Management and General	Membership Development	
Payroll	\$ 11,341,818	\$ 4,271,246	\$ -	\$ 15,613,064
Credit card fees	-	5,729,423	-	5,729,423
Member development fees	-	-	5,335,325	5,335,325
Advertising and marketing	5,282,487	-	-	5,282,487
Contract services	651,011	2,118,506	-	2,769,517
Bad debt expense	-	2,458,886	-	2,458,886
Software development	1,164,075	1,131,068	-	2,295,143
Depreciation and amortization	-	1,085,747	-	1,085,747
Office supplies	487,543	183,605	-	671,148
Employee benefits	291,909	109,932	-	401,841
Public relations	271,627	-	-	271,627
Repairs and maintenance	-	205,124	-	205,124
Printing and reproduction	143,384	53,986	-	197,370
Computer and internet	134,886	50,769	-	185,655
Postage	159,701	5,110	-	164,811
Member programs	148,414	-	-	148,414
Utilities	-	105,749	-	105,749
Insurance	-	103,169	-	103,169
Taxes	-	98,273	-	98,273
Telephone	6,070	86,751	-	92,821
Travel and conferences	48,601	18,303	-	66,904
Meals	1,228	13,802	-	15,030
Rent	-	6,095	-	6,095
Automobile	-	239	-	239
Miscellaneous	-	228	-	228
Total functional expenses	\$ 20,132,754	\$ 17,836,011	\$ 5,335,325	\$ 43,304,090

The accompanying notes are an integral part of these financial statements.

GOSPEL LIGHT MENNONITE CHURCH MEDICAL AID PLAN, INC.
DBA LIBERTY HEALTHSHARE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Supporting Services		Total
		Management and General	Membership Development	
Payroll	\$ 12,775,962	\$ 4,110,328	\$ -	\$ 16,886,290
Credit card fees	-	7,801,155	-	7,801,155
Member development fees	-	-	9,100,475	9,100,475
Advertising and marketing	8,834,847	-	-	8,834,847
Contract services	2,148,087	2,772,396	-	4,920,483
Software development	856,745	95,194	-	951,939
Depreciation and amortization	-	699,710	-	699,710
Office supplies	1,025,931	300,778	-	1,326,709
Employee benefits	155,155	174,600	-	329,755
Public relations	199,112	-	-	199,112
Repairs and maintenance	-	447,510	-	447,510
Printing and reproduction	34,868	10,223	-	45,091
Computer and internet	430,646	126,255	-	556,901
Postage	212,088	25,740	-	237,828
Member programs	156,963	-	-	156,963
Utilities	-	114,196	-	114,196
Insurance	-	94,493	-	94,493
Taxes	-	95,879	-	95,879
Telephone	-	218,238	-	218,238
Travel and conferences	29,046	8,515	-	37,561
Meals	576	8,064	-	8,640
Employee parking	-	12,000	-	12,000
Rent	-	5,520	-	5,520
Automobile	-	1,643	-	1,643
Miscellaneous	-	7,940	-	7,940
Total functional expenses	<u>\$ 26,860,026</u>	<u>\$ 17,130,377</u>	<u>\$ 9,100,475</u>	<u>\$ 53,090,878</u>

The accompanying notes are an integral part of these financial statements.

GOSPEL LIGHT MENNONITE CHURCH MEDICAL AID PLAN, INC.
DBA LIBERTY HEALTHSHARE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 9,619,631	\$ 2,699,850
Adjustments to reconcile increase in net assets to net cash from operating activities		
Depreciation and amortization	1,085,747	699,711
Bad debt expense	2,458,886	-
(Increase) decrease in operating assets:		
Accounts receivable - other	(556)	(10,139)
Inventory	33,228	8,056
Deposits	14,589	416
Prepaid expenses	361,820	(314,783)
Increase (decrease) in operating liabilities		
Accounts payable	(64,998)	(2,621,932)
Accrued expenses	(610,578)	529,671
Other liabilities	-	(7,847)
Pension payable	(182,361)	364,722
Net cash from operating activities	12,715,408	1,347,725
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(196,806)	(75,425)
Net cash from investing activities	(196,806)	(75,425)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on loan - Payroll Protection Program	(1,153,181)	-
Proceeds from loan - Payroll Protection Program	-	3,063,755
Net cash from financing activities	(1,153,181)	3,063,755
Net increase in cash and cash equivalents	11,365,421	4,336,055
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,830,579	1,494,524
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 17,196,000	\$ 5,830,579

The accompanying notes are an integral part of these financial statements.

GOSPEL LIGHT MENNONITE CHURCH MEDICAL AID PLAN, INC.
DBA LIBERTY HEALTHSHARE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Gospel Light Mennonite Church Medical Aid Plan, Inc., dba Liberty Healthshare (the "Organization") is a not-for-profit organization located in Canton, Ohio that provides emotional and financial support to Christians during times of need. Participants share in the medical and end of life costs of other members who have joined together to aid each other. The Organization serves participants located throughout the United States who have a desire to share medical costs with other like-minded Americans. Participants are asked to share monthly and assistance will be provided when needed. The Organization is legally recognized by the CMS (Centers for Medicare and Medicaid Services) as a health care sharing ministry.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net Assets

Net assets and related revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified 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.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Revenue Recognition

Contributions received from members are deposited in two types of accounts. The portion of member contribution considered to be administrative fees are deposited in the Organization's operating accounts and recognized as revenue when received. The portion of member contributions which are for member sharing funds are not owned by the Organization are deposited into separate member sharing accounts. Those contributions are not recorded as revenue and kept separate in member sharing accounts to be used only for sharing health care and end of life expenses.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures 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.

GOSPEL LIGHT MENNONITE CHURCH MEDICAL AID PLAN, INC.
DBA LIBERTY HEALTHSHARE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Uninsured Risk – Cash Deposits

The Organization maintains its cash and cash equivalent balances in two financial institutions located in Ohio and Michigan. Deposits in interest-bearing and non-interest-bearing accounts are collectively insured by the Federal Deposit Insurance Corporation (FDIC) up to a coverage limit of \$250,000 at each FDIC-insured depository institution. As a result, the Organization may have balances that exceed the insured limit.

Accounts Receivable

Receivables are carried at original invoice amount. Management periodically reviews accounts receivable to determine if any receivables will potentially be uncollectible. Accounts receivable balances that are determined to be uncollectible are included in the overall allowance for doubtful accounts. Receivables are charged to income when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

The accounts receivable – other of \$1,170,612 as of December 31, 2021 consist of Payroll Protection Program loan payments made during 2021 expected to be collected upon loan forgiveness. The loan was forgiven subsequent to year end. See Note 7.

The accounts receivable of \$2,342,404 and note receivable of \$116,482 as of December 31, 2020 are amounts due from Member Ministries. These amounts were deemed uncollectible during the year ended December 31, 2021 and written off to bad debt expense.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income.

Depreciation and amortization for financial reporting purposes is based on the following policies:

<u>Description</u>	<u>Useful Life</u>	<u>Method</u>
Computers and equipment	5 - 10 years	Straight-line
Furniture and fixtures	7 - 10 years	Straight-line
Vehicles	5 years	Straight-line
Software	3 - 7 years	Straight-line
Building improvements	10 - 40 years	Straight-line
Buildings	40 years	Straight-line
Land improvements	15 years	Straight-line

GOSPEL LIGHT MENNONITE CHURCH MEDICAL AID PLAN, INC.
DBA LIBERTY HEALTHSHARE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing services have been summarized on a functional basis on the statement of activities and on the statement of functional expenses. Certain costs have been allocated among the program and support services that were benefitted.

Advertising

The Organization expenses all advertising and promotional costs when incurred. Advertising and marketing costs totaled \$5,282,487 and \$8,834,847 for the years ended December 31, 2021 and 2020, respectively.

Income Taxes

The Organization qualifies under Section 501(c)(3) of the Internal Revenue Code as an organization exempt from federal income tax. In addition, the Organization qualifies for charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization treats tax positions taken using the more-likely-than-not recognition threshold. Tax positions are measured in the year that the Organization believes that the position is more-likely-than not to be sustained. Any positions that are not expected to be sustained will be recorded as a liability. Interest and penalties, if any, are recorded as operating expenses when incurred. The Organization does not believe that the effect of any of the tax positions taken would be material to the financial statements.

Currently the tax years that remain subject to examination by the Internal Revenue Service (IRS) are 2020, 2019, and 2018. As of the date of this report, the Organization has no knowledge of material modifications from the IRS.

NOTE 2: COMBINED MINISTRIES

By resolution of the Board of Directors, at a Special Meeting on December 28, 2018, the Organization accepted the inner-charity grant and transfer of all of the assets, employees and contracts of The National Coalition of Health Care Sharing Ministries, Inc. for the charitable purposes of promoting the Christian tradition of healthcare cost sharing to serve the socio-economic and spiritual needs of Liberty Healthshare members, which such Resolution was effective on January 1, 2019.

The National Coalition of Health Care Sharing Ministries, Inc. provided guidance and support to other health care sharing ministries throughout the United States. These groups are referred to as “Member Ministries.”

NOTE 3: MEMBERS’ SHARING FUNDS

During the year ended December 31, 2021, the Organization provided health care and end of life assistance to over 70,000 families. These funds belong to the members and are not shown on the balance sheet. They are kept in “Member Sharing Accounts” and are not included as income or expenses in the Organization.

GOSPEL LIGHT MENNONITE CHURCH MEDICAL AID PLAN, INC.
DBA LIBERTY HEALTHSHARE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: MEMBERS' SHARING FUNDS (CONTINUED)

The summarized activity in member sharing accounts for 2021 is as follows:

Beginning of year cash balance in all member sharing accounts	\$	332,331
Additions:		
Funds contributed by members		319,756,954
		320,089,285
Deductions:		
Medical needs and other assistance shared among members		319,745,669
		319,745,669
End of year cash balance in all member sharing accounts	\$	343,616

The Organization budgets for the medical sharing needs of its members. At the end of each month, share requests are calculated and tracked based upon member sharing contributions each month. The outstanding medical bills are tracked based upon the number of months of sharing needed to fulfill all requests as shown below:

	2021	2020
Average monthly sharing contributions from members	\$ 26,646,413	\$ 29,256,380
Months of contributions needed to fulfill all sharing requests	8.3 months	5.8 months

NOTE 4: LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of December 31, 2021 because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside by the Board of Directors (Board) for growth and sustainability of the Organization that could be drawn upon if the Board approves the action. The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets (Cash in banks)	\$	17,196,000
Less: Assets unavailable for general expenditures:		
Restricted by donor		-
Designated by board for reserves		-
		17,196,000

Liquidity Policy

As part of the Organization's liquidity management, it maintains a sufficient level of operating cash to be available as its general expenditures, liabilities, and other obligations come due.

GOSPEL LIGHT MENNONITE CHURCH MEDICAL AID PLAN, INC.
DBA LIBERTY HEALTHSHARE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: DEFINED CONTRIBUTION PLAN

The Organization implemented a 403(b) defined contribution plan in 2017. All Employees are eligible to participate in the plan. Participating employees with at least one year of service qualify for up to a 5% dollar-for-dollar match by the Organization on their contributed earnings. During the years ended December 31, 2021 and 2020, the Organization contributed \$353,441 and \$314,822 in matching funds, respectively.

NOTE 6: CONTINGENCIES

The Organization is involved in various legal proceedings and claims arising in the course of business. With the exception of the matter described below, the Organization currently believes that none of these matters, either individually or in the aggregate, is reasonably likely to have a material adverse effect on the financial condition, results of operations or liquidity of the Organization. However, because these legal proceedings are subject to inherent uncertainties and the outcome of such matters cannot be predicted with reasonable certainty, there can be no assurance that any one or more of these matters will not have a material adverse effect on our financial condition, results of operations and/or liquidity.

NOTE 7: PAYCHECK PROTECTION PROGRAM LOAN PROCEEDS

In 2020, there was a global outbreak of a new strain of coronavirus, COVID-19. The global and domestic response to the COVID-19 outbreak continues to evolve. The Company is closely monitoring the impact of COVID-19 on all aspects of its business, including, but not limited to, how COVID may impact its customers, team members, business partners and distribution channels. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Company's operations and liquidity is uncertain as of the date of this report. No adjustments have been made to the amounts reported in these financial statements as a result of this matter.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

On April 17, 2020, the Company entered into an agreement for government assistance under the Payroll Protection Program (PPP). At December 31, 2020 and December 31, 2021 management elected to apply ASC 470 to the funds received as part of the PPP program. Therefore, the PPP Loan is reflected as debt within the financial statements. The unsecured PPP Loan had an initial principal amount of \$3,063,755. Subsequent to December 31, 2021 the entire amount of the loan was forgiven.

GOSPEL LIGHT MENNONITE CHURCH MEDICAL AID PLAN, INC.
DBA LIBERTY HEALTHSHARE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 27, 2022, which is the date the financial statements were available to be issued.

Subsequent to December 31, 2021, the Organization entered into arbitration with a service provider. The Organization believes that the potential exposure of the arbitration is a loss of \$1,400,000. As the nature of the claim and the arbitration occurred subsequent to December 31, 2021 it has not been recognized as a liability in the accompanying statements of financial position.

On March 18, 2022, the Organization's PPP loan was fully forgiven.