
ZIONSVILLE PRESBYTERIAN CHURCH

FINANCIAL STATEMENTS

Together with Independent Accountants' Review Report

MAY 31, 2018 AND 2017

GREENWALT^{CPAs}

We Deliver Peace of Mind



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Finance Team of
Zionsville Presbyterian Church:

We have reviewed the accompanying financial statements of Zionsville Presbyterian Church, which comprise the statement of financial position as of May 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 from material misstatement, whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2018 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2017 Financial Statements

The 2017 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated August 15, 2017. We have not performed any auditing procedures since that date.

Greenwalt CPAs, Inc.

August 21, 2018

ZIONSVILLE PRESBYTERIAN CHURCH
 STATEMENTS OF FINANCIAL POSITION
 MAY 31, 2018 AND 2017

	<u>ASSETS</u>	Reviewed 2018	Audited 2017
CURRENT ASSETS			
1	Cash and cash equivalents	\$ 750,810	\$ 724,370
	Accounts receivable, net of allowance for doubtful accounts of		
2	\$775 at May 31, 2018 and 2017	34,459	44,701
3	Prepayments	73,885	51,247
4	Donated food inventory	39,551	25,050
5	<i>Total current assets</i>	<u>898,705</u>	<u>845,368</u>
6	CASH RESTRICTED FOR ENDOWMENT	<u>32,091</u>	<u>32,091</u>
PROPERTY AND EQUIPMENT			
7	Land and improvements	1,269,984	1,259,184
8	Buildings and improvements	6,984,392	6,944,491
9	Equipment and fixtures	1,417,108	1,247,627
10	Noah's Ark fixed assets	48,064	48,064
11	Other fixed assets	38,528	38,528
12	Construction in process	23,784	-
		<u>9,781,860</u>	<u>9,537,894</u>
13	Accumulated depreciation	(4,830,131)	(4,568,983)
14	<i>Net property and equipment</i>	<u>4,951,729</u>	<u>4,968,911</u>
15	<i>Total assets</i>	<u>\$ 5,882,525</u>	<u>\$ 5,846,370</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
16	Current portion of mortgages payable	\$ 72,771	\$ 71,895
17	Accounts payable	31,341	50,494
18	Accrued expenses	115,642	109,709
19	Deferred revenue	59,758	37,603
20	<i>Total current liabilities</i>	<u>279,512</u>	<u>269,701</u>
LONG-TERM LIABILITIES			
21	Mortgages payable, net of current portion	<u>673,902</u>	<u>749,281</u>
22	<i>Total liabilities</i>	<u>953,414</u>	<u>1,018,982</u>
COMMITMENTS (NOTES 5 & 6)			
NET ASSETS			
23	Unrestricted - undesignated	4,623,004	4,513,721
24	Unrestricted - designated	-	9,230
25	Temporarily restricted	274,016	272,346
26	Permanently restricted	32,091	32,091
27	<i>Total net assets</i>	<u>4,929,111</u>	<u>4,827,388</u>
28	<i>Total liabilities and net assets</i>	<u>\$ 5,882,525</u>	<u>\$ 5,846,370</u>

ZIONSVILLE PRESBYTERIAN CHURCH
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED MAY 31, 2018 AND 2017

	Reviewed				Audited				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	
REVENUE									
1	Contribution income	\$ 2,688,579	\$ 73,337	\$ -	\$ 2,761,916	\$ 2,445,384	\$ 40,464	\$ -	\$ 2,485,848
2	Program receipts	41,746	-	-	41,746	68,223	-	-	68,223
3	Noah's Ark income, net of discounts	866,348	-	-	866,348	857,162	-	-	857,162
4	Miscellaneous income	16,732	17	-	16,749	23,192	16	-	23,208
5	Grant income	-	-	-	-	58,100	-	-	58,100
6	Net assets released from restriction	71,684	(71,684)	-	-	83,986	(83,986)	-	-
7	<i>Total revenues</i>	<u>3,685,089</u>	<u>1,670</u>	<u>-</u>	<u>3,686,759</u>	<u>3,536,047</u>	<u>(43,506)</u>	<u>-</u>	<u>3,492,541</u>
EXPENSES									
8	Salaries, contract labor and benefits	1,676,100	-	-	1,676,100	1,667,760	-	-	1,667,760
9	Mission/program support and travel	814,922	-	-	814,922	869,095	-	-	869,095
10	General office and administrative	338,166	-	-	338,166	344,793	-	-	344,793
11	Facility expense	373,157	-	-	373,157	302,772	-	-	302,772
12	Depreciation	261,148	-	-	261,148	255,159	-	-	255,159
13	Presbytery per capita, interest, taxes and other	121,543	-	-	121,543	125,241	-	-	125,241
14	<i>Total expenses</i>	<u>3,585,036</u>	<u>-</u>	<u>-</u>	<u>3,585,036</u>	<u>3,564,820</u>	<u>-</u>	<u>-</u>	<u>3,564,820</u>
15	CHANGE IN NET ASSETS	100,053	1,670	-	101,723	(28,773)	(43,506)	-	(72,279)
16	NET ASSETS, BEGINNING OF YEAR	<u>4,522,951</u>	<u>272,346</u>	<u>32,091</u>	<u>4,827,388</u>	<u>4,551,724</u>	<u>315,852</u>	<u>32,091</u>	<u>4,899,667</u>
17	NET ASSETS, END OF YEAR	<u>\$ 4,623,004</u>	<u>\$ 274,016</u>	<u>\$ 32,091</u>	<u>\$ 4,929,111</u>	<u>\$ 4,522,951</u>	<u>\$ 272,346</u>	<u>\$ 32,091</u>	<u>\$ 4,827,388</u>

CHANGE IN CASH AND CASH EQUIVALENTS

	Reviewed 2018	Audited 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
1 Cash received from programs and contributions	\$ 3,718,071	\$ 3,446,836
2 Cash paid to suppliers and employees	(3,339,906)	(3,258,759)
3 Interest received	1,085	327
4 Interest paid	<u>(34,341)</u>	<u>(35,532)</u>
5 <i>Net cash and cash equivalents provided by operating activities</i>	<u>344,909</u>	<u>152,872</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
6 Proceeds from sale of investments	-	5,095
7 Purchases of property and equipment	<u>(243,966)</u>	<u>(204,654)</u>
8 <i>Net cash and cash equivalents used in investing activities</i>	<u>(243,966)</u>	<u>(199,559)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
9 Net principal payments on mortgages payable	<u>(74,503)</u>	<u>(72,101)</u>
10 CHANGE IN CASH AND CASH EQUIVALENTS	26,440	(118,788)
11 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>724,370</u>	<u>843,158</u>
12 CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 750,810</u></u>	<u><u>\$ 724,370</u></u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET
 CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES**

	<u>Reviewed</u> <u>2018</u>	<u>Audited</u> <u>2017</u>
1 CHANGE IN NET ASSETS	\$ 101,723	\$ (72,279)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES		
2 Depreciation	261,148	255,159
3 Loss on disposal of assets	-	39,327
4 Change in donated food inventory	(14,501)	(1,719)
5 Change in refundable advance	-	(8,165)
<i>(Increase) decrease in operating assets:</i>		
6 Accounts receivable	10,242	(40,560)
7 Prepayments	(22,638)	(1,980)
<i>Increase (decrease) in operating liabilities:</i>		
8 Accounts payable	(19,153)	9,747
9 Accrued expenses	5,933	9,322
10 Deferred revenue	22,155	(35,980)
11 <i>Total adjustments</i>	<u>243,186</u>	<u>225,151</u>
12 NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	<u>\$ 344,909</u>	<u>\$ 152,872</u>

ZIONSVILLE PRESBYTERIAN CHURCH

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Zionsville Presbyterian Church (the Church) was chartered as a member of the Presbyterian Church (U.S.A.) in October 1984 when local Presbyterians felt led to establish a new congregation in the Zionsville area. The Church has various ministries and mission teams. It also serves children through the Noah's Ark preschool and childcare programs. The Church is a part of the Presbytery of Whitewater Valley (the Presbytery). The Church's primary source of revenue is contribution income.

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements were prepared on the accrual basis of accounting. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Church considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were cash equivalents of \$2,500 at May 31, 2018 and 2017. At May 31, 2018 the Church maintained cash balances of \$526,392 in excess of Federal Deposit Insurance Corporation limits.

ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due for tuition for children enrolled in the Noah's Ark preschool and childcare programs, reimbursement of Noah's Ark food expenses, and a refund of payroll tax payments. The tuition accounts receivable are uncollateralized obligations due at year end for educational and childcare services rendered. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the accounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days past due and, based on an assessment of current creditworthiness, estimates the portion – if any – of the balance that will not be collected.

DONATED FOOD INVENTORY

The valuation of inventory is performed for purposes of measuring program activity and does not reflect a net realizable value. At May 31, 2018 and 2017, the Church valued its donated food inventory at \$1.00 per pound to reflect the price at which the Church could re-purchase the food.

At May 31, 2018 and 2017, the Church had inventory on hand of \$39,551 and \$25,050, respectively.

PROPERTY AND EQUIPMENT

Property and equipment that the Church purchased is recorded at cost. Donated items are capitalized at fair market value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of the assets.

ZIONSVILLE PRESBYTERIAN CHURCH

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

PROPERTY AND EQUIPMENT, CONTINUED

Under the Constitution of the denomination ("The Book of Order"), all property of the Church is held in trust for the use and benefit of the Presbyterian Church (U.S.A.). In the event that the Church were to leave the denomination or to cease using the property as a church of the Presbyterian Church (U.S.A.), such property shall be held, used, applied, transferred, or sold as provided by the Presbytery.

DEFERRED REVENUE

Fees collected in advance for mission trips, youth camps, all Church retreat and Vacation Bible School classes that take place in the summer months have been recorded as deferred revenue.

NET ASSETS

The financial statements have been prepared in accordance with Accounting Standards for the Presentation of Financial Statements of Not-For-Profit Organizations. These standards require the Church to report the changes in and total of each of the net asset classes, based upon donor restrictions. Net assets are classified as unrestricted, temporarily restricted, and permanently restricted. The Church maintains the following classifications of net assets:

Unrestricted

These include revenue and expenses from the regular operations of the Church, the uses of which are at the discretion of management and the Session. As of May 31, 2018, the Session had no designated net assets. As of May 31, 2017, the Session designated \$9,230 of net assets for the Community Assistance Fund, Jeremiah House and a Children's Welcome Center.

Temporarily Restricted

These include contributions and grant revenues used to meet expenses in accordance with restrictions specified by the donors or grantors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets of \$274,016 and \$272,346 at May 31, 2018 and 2017, respectively, were set aside for the following purposes:

ZIONSVILLE PRESBYTERIAN CHURCH

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NET ASSETS, CONTINUED

	<u>2018</u>	<u>2017</u>
Food pantry	\$ 89,244	\$ 63,154
Great Banquet/Awakening	76,650	53,933
Youth mission trips (primarily Caravan)	4,075	8,003
Youth intern program	48,210	75,631
Youth other	2,925	4,234
Missions general	28,790	50,981
Mission: gifts	1,088	1,377
Memorials	2,649	2,393
Other	20,385	12,640
	<u>\$ 274,016</u>	<u>\$ 272,346</u>

Permanently Restricted

The permanently restricted net assets include assets of the Church for which the donor has stipulated that the contribution be maintained in perpetuity. Donor imposed restrictions limiting the use of the assets or its economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose. Permanently restricted net assets of \$32,091 at May 31, 2018 and 2017, were set aside for an endowment. See Note 2.

Tax Status

The Church is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

EXPENSE ALLOCATION

Salaries and related expenses are charged to program services based upon estimated time spent by personnel on the related programs. Direct expenses are charged to the various programs. Occupancy expenses are allocated based upon actual utilization of space. The Church had the following expense allocation for the years ended May 31:

	<u>2018</u>	<u>2017</u>
Church and missions	\$ 1,558,576	\$ 1,596,296
Noah's Ark	780,563	745,365
Administrative	1,183,775	1,131,110
Stewardship/Benevolence	62,122	92,049
	<u>\$ 3,585,036</u>	<u>\$ 3,564,820</u>

ZIONSVILLE PRESBYTERIAN CHURCH

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

ADVERTISING

The Church incurred \$2,363 and \$3,127 in advertising expense for the years ended May 31, 2018 and 2017, respectively. Those costs are expensed as incurred.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 21, 2018, the date on which the financial statements were available to be issued.

2. ENDOWMENT FUND

The Church's endowment consists of donor permanently restricted contributions that were made to provide a source of future income for the Church. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Session of the Church has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the purchasing power of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Church classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Church in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Church considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Church and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Church
- (7) The investment policies of the Church.

ZIONSVILLE PRESBYTERIAN CHURCH

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018 AND 2017

2. ENDOWMENT FUND, CONTINUED

Changes in endowment net assets for the year ended May 31, 2018:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 572	\$ 32,091
Net investment income	17	-
Endowment net assets, end of year	<u>\$ 589</u>	<u>\$ 32,091</u>

Changes in endowment net assets for the year ended May 31, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 556	\$ 32,091
Net investment income	16	-
Endowment net assets, end of year	<u>\$ 572</u>	<u>\$ 32,091</u>

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Church to retain as a fund of perpetual duration. There were no such deficiencies as of May 31, 2018 and 2017.

RETURN OBJECTIVES AND RISK PARAMETERS

The Church has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Church must hold in perpetuity.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Church invests endowment funds in a separate interest-bearing bank account. Under this policy, the endowment assets are invested to preserve capital.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Church has a policy whereby the interest earned on the endowment account is disbursed for possible appropriation by Session members. Once appropriated for a particular reason, the funds then become unrestricted in nature.

ZIONSVILLE PRESBYTERIAN CHURCH

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018 AND 2017

3. BANK LINE OF CREDIT

The Church maintains a line of credit of \$400,000 with a bank that expires September 30, 2018. Borrowings bear interest at the bank's prime rate less 0.5% (4.25% at May 31, 2018) and is secured by substantially all the assets of the Church. There was no outstanding balance on the line of credit at May 31, 2018 and 2017.

4. MORTGAGES PAYABLE

The Church has had a mortgage on its building since September 1996. The original mortgage was modified four times before it was refinanced in July 2006. During August 2011, the Church refinanced its mortgage on the Church building. In August 2011, the original mortgage was split into two term loans – one with a fixed interest rate and one with a variable interest rate. In April 2007, the Church purchased residential property near the Church for the purpose of future expansion in the amount of \$390,000. This mortgage was refinanced in March 2012. In April 2015, the church refinanced the loans associated with both the Church and the residential property and combined them into one mortgage that was split into two term loans – one with a fixed interest rate and one with a variable interest rate. Amounts outstanding on the mortgages payable at May 31 are:

	<u>2018</u>	<u>2017</u>
Mortgage payable to bank, due in monthly installments of \$5,968, including interest at 4.59% through March 2025, secured by the Church building and substantially all assets of the Church	\$ 422,744	\$ 473,516
Mortgage payable to bank, due in monthly installments of \$2,702, including interest at prime less 0.5% (4.25% at May 31, 2018) through March 2020, with a single balloon payment in April 2020, secured by the Church building and substantially all assets of the Church	<u>323,929</u>	<u>347,660</u>
	746,673	821,176
Less current portion	<u>(72,771)</u>	<u>(71,895)</u>
Long-term portion	<u>\$ 673,902</u>	<u>\$ 749,281</u>

Maturities of the mortgages are as follows for the fiscal years ending May 31:

2019	\$ 72,771
2020	360,421
2021	58,502
2022	61,245
2023	64,116
Thereafter	<u>129,618</u>
	<u>\$ 746,673</u>

ZIONSVILLE PRESBYTERIAN CHURCH

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018 AND 2017

5. OPERATING LEASES

The Church has lease agreements for two copier/printers and a postage meter. The lease for the two copier/printers expires in November 2019, however, an additional three months were deferred to the end of the lease at its inception, and requires minimum payments of \$500/month. The lease for the postage meter is through May 2022 and requires minimum payments of \$100/month. The rental expense for all operating leases for fiscal year 2018 and 2017 was \$7,204 and \$7,510, respectively.

Future minimum lease commitments under the operating leases are as follows for fiscal years ending May 31:

2019	\$	7,204
2020		5,203
2021		1,200
2022		1,200
		<hr/>
	\$	14,807

6. CONTRACTS

As of May 31, 2018, the Church has entered into an agreement for services to be provided in fiscal year 2019 for \$26,800 which remains to be paid as of May 31, 2018. Subsequent to year end, the Church received a grant to assist with the costs related to the contract.

7. RELATED PARTY TRANSACTION

A General Assembly tax expense of \$37,488 and \$38,897 for the years ended May 31, 2018 and 2017 was paid to the Presbytery of Whitewater Valley, a related party. The amounts charged were based on a flat per capita fee of \$39.05 and \$38.55, respectively, per member. However, the Church negotiated a lower total fee during both years.

8. MULTIEMPLOYER PENSION PLANS

The Church contributes to a pension plan on behalf of its ordained pastors. This is a multi-employer retirement plan in accordance with the Board of Pensions of the Presbyterian Church (U.S.A.) (EIN: 23-1352040). Contributions under this plan amounted to \$20,097 and \$19,885 for the years ended May 31, 2018 and 2017, respectively. The plan requires minimum contributions equal to 12% of respective pastors' salary. The Church's contribution to the plan did not represent more than 5% of the plan's total contributions. Information applicable to the plan is made available to the public through the Board of Pensions of the Presbyterian Church (U.S.A) website.

Government regulations impose certain requirements relative to multi-employer plans. In the event of plan termination or employer withdrawal, an employer may be liable for a portion of the plan's unfunded, vested benefits. The Presbyterian Church (U.S.A.) requires all ordained pastors to participate in the plan. The Board of Pensions indicates that there is no withdrawal liability for unfunded vested benefits, and that furthermore, the plan is fully funded. There have been no significant changes to the plan which affect the comparability of total employer contributions from the prior year.