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ZIONSVILLE PRESBYTERIAN CHURCH

FINANCIAL STATEMENTS

Together with Independent Accountants' Review Report

MAY 31, 2019 AND 2018

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## 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 statements of financial position as of May 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 engagements 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 reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Greenwalt CPAs, Inc.*

August 20, 2019

ZIONSVILLE PRESBYTERIAN CHURCH  
 STATEMENTS OF FINANCIAL POSITION  
 MAY 31, 2019 AND 2018

		<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>				
1	Cash and cash equivalents		\$ 422,874	\$ 750,810
2	Short-term investments		429,387	-
	Accounts receivable, net of allowance for doubtful accounts of			
3	\$775 at May 31, 2019 and 2018		29,640	34,459
4	Prepayments		106,566	73,885
5	Donated food inventory		29,149	39,551
6	<i>Total current assets</i>		<u>1,017,616</u>	<u>898,705</u>
7	<b>SHORT-TERM INVESTMENT RESTRICTED FOR ENDOWMENT</b>		<u>32,091</u>	<u>32,091</u>
<b>PROPERTY AND EQUIPMENT</b>				
8	Land and improvements		1,269,984	1,269,984
9	Buildings and improvements		7,008,176	6,984,392
10	Equipment and fixtures		1,579,895	1,417,108
11	Noah's Ark fixed assets		48,064	48,064
12	Other fixed assets		38,528	38,528
13	Construction in process		24,300	23,784
			<u>9,968,947</u>	<u>9,781,860</u>
14	Accumulated depreciation		(5,103,427)	(4,830,131)
15	<i>Net property and equipment</i>		<u>4,865,520</u>	<u>4,951,729</u>
16	<i>Total assets</i>		<u>\$ 5,915,227</u>	<u>\$ 5,882,525</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
17	Current portion of mortgages payable		\$ 355,944	\$ 72,771
18	Accounts payable		82,953	31,341
19	Accrued expenses		108,154	115,642
20	Deferred revenue		75,650	59,758
21	<i>Total current liabilities</i>		<u>622,701</u>	<u>279,512</u>
<b>LONG-TERM LIABILITIES</b>				
22	Mortgages payable, net of current portion		<u>313,799</u>	<u>673,902</u>
23	<i>Total liabilities</i>		<u>936,500</u>	<u>953,414</u>
<b>COMMITMENTS (NOTES 7 &amp; 8)</b>				
<b>NET ASSETS</b>				
24	Without donor restriction:		4,688,130	4,623,004
25	With donor restriction:			
26	Time and purpose		258,506	274,016
27	In perpetuity		32,091	32,091
28	<i>Total net assets</i>		<u>4,978,727</u>	<u>4,929,111</u>
29	<i>Total liabilities and net assets</i>		<u>\$ 5,915,227</u>	<u>\$ 5,882,525</u>

ZIONSVILLE PRESBYTERIAN CHURCH  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

	Without Donor Restrictions	With Donor Restrictions		2019 Total	Without Donor Restrictions	With Donor Restrictions		2018 Total	
		Time and Purpose	Perpetual			Time and Purpose	Perpetual		
<b>REVENUE</b>									
1	Contribution income	\$ 2,716,041	\$ 40,813	\$ -	\$ 2,756,854	\$ 2,688,579	\$ 73,337	\$ -	\$ 2,761,916
2	Program receipts	66,498	-	-	66,498	41,746	-	-	41,746
3	Noah's Ark income, net of discounts	874,893	-	-	874,893	866,348	-	-	866,348
4	Miscellaneous income	37,461	69	-	37,530	16,732	17	-	16,749
5	Grant income	13,400	-	-	13,400	-	-	-	-
6	Net assets released from restriction	56,392	(56,392)	-	-	71,684	(71,684)	-	-
7	<i>Total revenues</i>	<u>3,764,685</u>	<u>(15,510)</u>	<u>-</u>	<u>3,749,175</u>	<u>3,685,089</u>	<u>1,670</u>	<u>-</u>	<u>3,686,759</u>
<b>EXPENSES</b>									
8	Salaries, contract labor and benefits	1,694,100	-	-	1,694,100	1,676,100	-	-	1,676,100
9	Mission/program support and travel	828,757	-	-	828,757	814,922	-	-	814,922
10	Office supplies, dues and fees	225,809	-	-	225,809	199,308	-	-	199,308
11	Facility expense	324,447	-	-	324,447	373,157	-	-	373,157
12	Food expense	159,989	-	-	159,989	93,307	-	-	93,307
13	Depreciation	273,296	-	-	273,296	261,148	-	-	261,148
14	Bank and credit card fees	24,854	-	-	24,854	26,342	-	-	26,342
15	Presbytery per capita, interest and taxes	80,335	-	-	80,335	81,828	-	-	81,828
16	Professional fees	40,836	-	-	40,836	19,210	-	-	19,210
17	Professional development	11,008	-	-	11,008	18,674	-	-	18,674
18	Other	36,128	-	-	36,128	21,040	-	-	21,040
19	<i>Total expenses</i>	<u>3,699,559</u>	<u>-</u>	<u>-</u>	<u>3,699,559</u>	<u>3,585,036</u>	<u>-</u>	<u>-</u>	<u>3,585,036</u>
20	<b>CHANGE IN NET ASSETS</b>	65,126	(15,510)	-	49,616	100,053	1,670	-	101,723
21	<b>NET ASSETS, BEGINNING OF YEAR</b>	<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>
22	<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,688,130</u>	<u>\$ 258,506</u>	<u>\$ 32,091</u>	<u>\$ 4,978,727</u>	<u>\$ 4,623,004</u>	<u>\$ 274,016</u>	<u>\$ 32,091</u>	<u>\$ 4,929,111</u>

ZIONSVILLE PRESBYTERIAN CHURCH

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2019 WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED MAY 31, 2018

		Program			Program Total	Management and General	2019 Total	2018 Total
		Church and Missions	Noah's Ark	Stewardship and Benevolence				
1	Salaries, contract labor and benefits	\$ 677,308	\$ 664,415	\$ -	\$ 1,341,723	\$ 352,377	\$ 1,694,100	\$ 1,676,100
2	Mission/program support and travel	746,768	-	27,924	774,692	54,065	828,757	814,922
3	Office supplies, dues and fees	105,242	22,798	3,485	131,525	94,284	225,809	199,308
4	Facility expense	246,669	-	1,988	248,657	75,790	324,447	373,157
5	Food expense	28,876	64,300	48,155	141,331	18,658	159,989	93,307
6	Depreciation	246,184	-	-	246,184	27,112	273,296	261,148
7	Bank and credit card fees	-	11,438	-	11,438	13,416	24,854	26,342
8	Presbytery per capita, interest and taxes	-	-	-	-	80,335	80,335	81,828
9	Professional fees	91	-	-	91	40,745	40,836	19,210
10	Professional development	8,663	152	-	8,815	2,193	11,008	18,674
11	Other	21,155	9,492	-	30,647	5,481	36,128	21,040
12	<i>Total expenses</i>	<u>\$ 2,080,956</u>	<u>\$ 772,595</u>	<u>\$ 81,552</u>	<u>\$ 2,935,103</u>	<u>\$ 764,456</u>	<u>\$ 3,699,559</u>	<u>\$ 3,585,036</u>

**CHANGE IN CASH AND CASH EQUIVALENTS**

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
1 Cash received from programs and contributions	\$ 3,766,939	\$ 3,718,071
2 Cash paid to suppliers and employees	(3,371,138)	(3,339,906)
3 Interest received	2,947	1,085
4 Interest paid	<u>(33,280)</u>	<u>(34,341)</u>
5 <i>Net cash and cash equivalents provided by operating activities</i>	<u>365,468</u>	<u>344,909</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
6 Purchases of short-term investments	(429,387)	-
7 Purchases of property and equipment	<u>(187,087)</u>	<u>(243,966)</u>
8 <i>Net cash and cash equivalents used in investing activities</i>	<u>(616,474)</u>	<u>(243,966)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
9 Net principal payments on mortgages payable	<u>(76,930)</u>	<u>(74,503)</u>
10 <b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(327,936)	26,440
11 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>750,810</u>	<u>724,370</u>
12 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 422,874</u></u>	<u><u>\$ 750,810</u></u>

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

	<u>2019</u>	<u>2018</u>
1 CHANGE IN NET ASSETS	<u>\$ 49,616</u>	<u>\$ 101,723</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES		
2 Depreciation	273,296	261,148
3 Change in donated food inventory	10,402	(14,501)
4 <i>(Increase) decrease in operating assets:</i>		
5     Accounts receivable	4,819	10,242
6     Prepayments	(32,681)	(22,638)
7 <i>Increase (decrease) in operating liabilities:</i>		
8     Accounts payable	51,612	(19,153)
9     Accrued expenses	(7,488)	5,933
10     Deferred revenue	<u>15,892</u>	<u>22,155</u>
11 <i>Total adjustments</i>	<u>315,852</u>	<u>243,186</u>
12 NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 365,468</u></u>	<u><u>\$ 344,909</u></u>

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

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### 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 \$2,505 at May 31, 2019 and 2018. At May 31, 2019 the Church maintained cash balances in excess of Federal Deposit Insurance Corporation limits of \$108,557.

#### 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 amounts due from other third parties. 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, 2019 and 2018, 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, 2019 and 2018, the Church had inventory on hand of \$29,149 and \$39,551, respectively.



# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### 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 the following estimated useful lives of the assets:

Land and improvements	20 years
Buildings and improvements	20 – 40 years
Equipment and fixtures	5 – 10 years
Noah's Ark fixed assets	7 years
Other assets	5 years

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 Church maintains the following classifications of net assets:

##### Net Assets without Donor Restrictions

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.

##### Net Assets with Donor Restrictions

These include contributions and grant revenues 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, 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 restrictions. Net assets with donor restrictions of \$258,506 and \$274,016 at May 31, 2019 and 2018, respectively, were set aside for the following purposes:

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### NET ASSETS, CONTINUED

	<u>2019</u>	<u>2018</u>
Food pantry	\$ 89,948	\$ 89,244
Great Banquet/Awakening	80,618	76,650
Youth mission trips (primarily Caravan)	1,000	4,075
Youth intern program	18,759	48,210
Youth other	2,852	2,925
Missions general	19,224	28,790
Mission: gifts	-	1,088
Memorials	3,354	2,649
Other	42,751	20,385
	<u>\$ 258,506</u>	<u>\$ 274,016</u>

Other donations are perpetual in nature, whereby the donor has stipulated the funds 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. Net assets restricted in perpetuity of \$32,091 at May 31, 2019 and 2018 were set aside for an endowment. See Note 3.

#### 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.

#### ADVERTISING

The Church incurred \$4,884 and \$2,363 in advertising expense for the years ended May 31, 2019 and 2018, respectively. Those costs are expensed as incurred.

#### SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 20, 2019, the date on which the financial statements were available to be issued.

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification by reducing the three categories of unrestricted, temporarily restricted, and permanently restricted to two, net assets with and without donor restrictions. In addition, the update requires a new disclosure regarding liquidity and the availability of resources, the presentation of expenses by natural classifications and function and the netting of investment expenses with revenue. The Church has retroactively adjusted the presentation of these statements accordingly. The update had no impact on net assets at May 31, 2018.

### 2. LIQUIDITY AND AVAILABLE RESOURCES

The Church regularly monitors liquidity required to meet its operating and other commitments. The Church has various sources of liquid assets at its disposal, including cash, inventory, and receivables.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Church considers all expenditures related to ongoing activities of the congregation as well as the supporting operations to be general expenditures.

In addition to financial assets available to meet general expenditures, the Church operates with a balanced budget and anticipates collecting revenue to cover general expenditures not covered by donor-restricted resources.

As of May 31, 2019, the following table shows the total financial assets held by the Church and the amounts of those financial assets available within one year of the statement of financial position date to meet general expenditures:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 422,874	\$ 750,810
Short-term investments	461,478	32,091
Accounts receivable	<u>29,640</u>	<u>34,459</u>
Total financial assets	<u>913,992</u>	<u>817,360</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(290,597)</u>	<u>(306,107)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 623,395</u>	<u>\$ 511,253</u>

### 3. 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.

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

### 3. ENDOWMENT FUND, CONTINUED

#### 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 net assets with donor restrictions held in perpetuity (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 as net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions for time and purpose 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.

Changes in endowment net assets for the year ended May 31, 2019:

	With donor restrictions	
	Time and Purpose	Held in Perpetuity
Endowment net assets, beginning of year	\$ 589	\$ 32,091
Net investment income	69	-
Endowment net assets, end of year	<u>\$ 658</u>	<u>\$ 32,091</u>

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

	With donor restrictions	
	Time and Purpose	Held in Perpetuity
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>

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

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### 3. ENDOWMENT FUND, CONTINUED

#### 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, 2019 and 2018.

#### 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 may be appropriated by Session members. Once appropriated for a particular reason, the funds then become held without donor restriction.

### 4. SHORT TERM INVESTMENTS/CERTIFICATES OF DEPOSIT

Certificates of deposit totaled \$461,478 at May 31, 2019. Initial maturity at purchase of these certificates was 6 months. At May 31, 2019, interest rates ranged from 0.7% to 2.35% with interest paid periodically on a monthly basis.

### 5. BANK LINE OF CREDIT

The Church maintains a line of credit of \$400,000 with a bank that expires September 30, 2019. Borrowings bear interest at the bank's prime rate less 0.5% (5.00% at May 31, 2019) and are secured by substantially all the assets of the Church. There was no outstanding balance on the line of credit at May 31, 2019 and 2018.

### 6. 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.

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

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### 6. MORTGAGES PAYABLE, CONTINUED

Amounts outstanding on the mortgages payable at May 31 are:

	<u>2019</u>	<u>2018</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	\$ 369,682	\$ 422,744
Mortgage payable to bank, due in monthly installments of \$2,702, including interest at prime less 0.5% (5.00% at May 31, 2019) through March 2020, with a single balloon payment in April 2020, secured by the Church building and substantially all assets of the Church	<u>300,061</u>	<u>323,929</u>
	669,743	746,673
Less current portion	<u>(355,944)</u>	<u>(72,771)</u>
Long-term portion	<u>\$ 313,799</u>	<u>\$ 673,902</u>

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

2020	\$ 355,944
2021	58,502
2022	61,245
2023	64,116
2024	67,121
Thereafter	<u>62,815</u>
	<u>\$ 669,743</u>

### 7. 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 in each fiscal year 2019 and 2018 was \$7,204.

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

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### 7. OPERATING LEASES, CONTINUED

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

2020	\$	5,203
2021		1,200
2022		1,200
		<hr/>
	\$	7,603

### 8. CONTRACTS

As of May 31, 2019, the Church has entered into an agreement for services to be provided in fiscal year 2020 for \$78,300 of which \$54,000 remains to be paid as of May 31, 2019.

### 9. RELATED PARTY TRANSACTION

A General Assembly tax expense of \$37,055 and \$37,488 for the years ended May 31, 2019 and 2018 was paid to the Presbytery of Whitewater Valley, a related party. The amounts charged were based on a flat per capita fee of \$40.72 and \$39.05, respectively, per member. However, the Church negotiated a lower total fee during both years.

### 10. MULTI-EMPLOYER 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).

The risks of participating in a multi-employer plan is different from single-employer plan in the following aspects:

1. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the church chooses to stop participating in its multi-employer plan, it may be required to pay that plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. At this time, the church has not established any liabilities because withdrawal from this plan is not probable.

Contributions under this plan amounted to \$20,706 and \$20,097 for the years ended May 31, 2019 and 2018, 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.

The plan is organized as a nonelecting, noncontributory multi-employer church retirement plan, and therefore the plan is not subject to certain reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The plan's certified zone status is not available since the plan is not subject to ERISA reporting requirements.

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

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### 10. MULTI-EMPLOYER PENSION PLANS, CONTINUED

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.