
ZIONSVILLE PRESBYTERIAN CHURCH

FINANCIAL STATEMENTS

Together with Independent Accountants' Review Report

MAY 31, 2023 AND 2022

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Finance Team of
Zionsville Presbyterian Church:

We have reviewed the accompanying financial statements of Zionsville Presbyterian Church (the Church), which comprise the statement of financial position as of May 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. 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.

We are required to be independent of the Church and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2023 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on Fiscal Year 2022 Financial Statements

The fiscal year 2022 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated September 2, 2022. We have not performed any auditing procedures since that date.

Greenwalt CPAs, Inc.

August 21, 2023

ZIONSVILLE PRESBYTERIAN CHURCH
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2023 AND 2022

ASSETS

		REVIEWED 2023	AUDITED 2022
CURRENT ASSETS			
1	Cash and cash equivalents	\$ 2,605,642	\$ 2,665,321
2	Short-term investments	752,520	747,277
3	Accounts receivable, net	27,644	27,717
4	Short-term pledges receivable, net	3,380,722	-
5	Prepayments	143,827	117,068
6	Donated food inventory	28,939	28,283
7	<i>Total current assets</i>	<u>6,939,294</u>	<u>3,585,666</u>
PROPERTY AND EQUIPMENT			
8	Land and improvements	1,034,429	1,034,429
9	Buildings and improvements	6,986,344	6,986,420
10	Equipment and fixtures	880,588	1,224,168
11	Noah's Ark fixed assets	48,064	48,064
12	Other fixed assets	21,292	21,292
13	Construction in process	1,300,459	170,082
		<u>10,271,176</u>	<u>9,484,455</u>
14	Accumulated depreciation	(5,047,961)	(5,182,035)
15	<i>Net property and equipment</i>	<u>5,223,215</u>	<u>4,302,420</u>
OTHER ASSETS			
16	Long-term pledges receivable, net	4,027,152	-
17	Life insurance - cash surrender value	29,574	20,221
18	Operating lease right-of-use asset	25,548	-
19	<i>Total other assets</i>	<u>4,082,274</u>	<u>20,221</u>
20	<i>Total assets</i>	<u>\$ 16,244,783</u>	<u>\$ 7,908,307</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
21	Accounts payable	\$ 92,398	\$ 104,205
22	Accrued expenses	96,387	138,052
23	Building Fund Campaign - conditional contributions	-	488,794
24	Deferred revenue	52,791	71,291
25	Refundable advance of Build, Learn, Grow Stabilization Grant	-	113,000
26	Short-term operating lease liability	13,156	-
27	<i>Total current liabilities</i>	<u>254,732</u>	<u>915,342</u>
LONG-TERM LIABILITIES			
28	Long-term operating lease liability	12,392	-
29	<i>Total liabilities</i>	<u>267,124</u>	<u>915,342</u>
NET ASSETS			
30	Without donor restriction		
31	Undesignated	6,143,317	5,107,730
32	Session designated	373,071	564,638
33	<i>Total without donor restriction</i>	<u>6,516,388</u>	<u>5,672,368</u>
34	With donor restriction		
35	Time and purpose	9,339,180	1,238,506
36	Perpetual	122,091	82,091
37	<i>Total with donor restriction</i>	<u>9,461,271</u>	<u>1,320,597</u>
38	<i>Total net assets</i>	<u>15,977,659</u>	<u>6,992,965</u>
39	<i>Total liabilities and net assets</i>	<u>\$ 16,244,783</u>	<u>\$ 7,908,307</u>

ZIONSVILLE PRESBYTERIAN CHURCH
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MAY 31, 2023 AND 2022

	REVIEWED			AUDITED		
	WITH DONOR RESTRICTIONS		2023 TOTAL	WITH DONOR RESTRICTIONS		2022 TOTAL
	WITHOUT DONOR RESTRICTIONS	TIME AND PURPOSE		WITHOUT DONOR RESTRICTIONS	TIME AND PURPOSE	
REVENUE						
1 Contribution income	\$ 3,498,323	\$ 8,763,944	\$ 12,302,267	\$ 3,027,525	\$ 704,455	\$ 3,731,980
2 Program receipts	77,424	-	77,424	116,201	-	116,201
3 Noah's Ark income, net of discounts	896,351	-	896,351	790,783	-	790,783
4 Miscellaneous income	23,268	-	23,268	15,828	-	15,828
5 Interest income	6,249	-	6,249	91	1,054	1,145
6 Grant income	110,656	-	110,656	147,391	-	147,391
7 Realized gain (loss) on sale of investments	(4,872)	-	(4,872)	6,306	-	6,306
8 Realized gain (loss) on sale and disposal of property	(5,521)	-	(5,521)	288,293	-	288,293
9 Net assets released from restriction	663,270	(663,270)	-	97,836	(97,836)	-
10 <i>Total revenues</i>	<u>5,265,148</u>	<u>8,100,674</u>	<u>13,405,822</u>	<u>4,490,254</u>	<u>607,673</u>	<u>5,097,927</u>
EXPENSES						
11 Salaries, contract labor and benefits	2,207,991	-	2,207,991	2,022,635	-	2,022,635
12 Mission/program support and travel	832,186	-	832,186	935,585	-	935,585
13 Office supplies, dues and fees	275,739	-	275,739	291,345	-	291,345
14 Facility	399,531	-	399,531	305,230	-	305,230
15 Food	202,695	-	202,695	127,092	-	127,092
16 Depreciation	291,606	-	291,606	289,308	-	289,308
17 Bank and credit card fees	42,207	-	42,207	37,795	-	37,795
18 Presbytery per capita, interest and taxes	52,215	-	52,215	51,390	-	51,390
19 Professional fees	52,349	-	52,349	18,241	-	18,241
20 Professional development	13,364	-	13,364	7,663	-	7,663
21 Other	51,245	-	51,245	31,973	-	31,973
22 <i>Total expenses</i>	<u>4,421,128</u>	<u>-</u>	<u>4,421,128</u>	<u>4,118,257</u>	<u>-</u>	<u>4,118,257</u>
CHANGE IN NET ASSETS	844,020	8,100,674	8,984,694	371,997	607,673	979,670
24 NET ASSETS, BEGINNING OF YEAR	5,672,368	1,238,506	6,992,965	5,300,371	630,833	6,013,295
25 NET ASSETS, END OF YEAR	\$ 6,516,388	\$ 9,339,180	\$ 15,977,659	\$ 5,672,368	\$ 1,238,506	\$ 6,992,965

See accompanying notes to the financial statements.

ZIONSVILLE PRESBYTERIAN CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2023
WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED MAY 31, 2022

	PROGRAM					MANAGEMENT AND GENERAL	REVIEWED 2023 TOTAL	AUDITED 2022 TOTAL
	CHURCH AND MISSIONS	NOAH'S ARK	STEWARDSHIP AND BENEVOLENCE	PROGRAM TOTAL				
1	\$	927,492	\$	903,932	\$	1,831,424	\$	2,022,635
2		794,076		-		827,919		935,585
3		129,274		33,843		162,075		291,345
4		298,233		3,062		303,365		305,230
5		64,942		56,139		171,442		127,092
6		262,445		-		262,445		289,308
7		363		15,185		15,548		37,795
8		-		-		-		51,390
9		4,219		-		4,219		18,241
10		7,741		1,107		8,848		7,663
11		19,334		17,397		36,731		31,973
12		Total expenses						
	\$	2,508,119	\$	1,022,853	\$	3,624,016	\$	4,118,257
				93,044		797,112		

See accompanying notes to the financial statements.

ZIONSVILLE PRESBYTERIAN CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2022

	PROGRAM			STEWARDSHIP AND BENEVOLENCE		PROGRAM TOTAL	MANAGEMENT AND GENERAL	AUDITED TOTAL
	CHURCH AND MISSIONS	NOAH'S ARK						
1	Salaries, contract labor and benefits	\$ 878,621	\$ 750,035	\$ -	-	\$ 1,628,656	\$ 393,979	\$ 2,022,635
2	Mission/program support and travel	895,674	-	32,565	-	928,239	7,346	935,585
3	Office supplies, dues and fees	162,386	30,240	-	-	192,626	98,719	291,345
4	Facility	169,209	60,000	1,840	-	231,049	74,181	305,230
5	Food	38,483	44,257	28,651	-	111,391	15,701	127,092
6	Depreciation	260,377	-	-	-	260,377	28,931	289,308
7	Bank and credit card fees	-	14,966	-	-	14,966	22,829	37,795
8	Presbytery per capita, interest and taxes	-	-	-	-	-	51,390	51,390
9	Professional fees	-	-	-	-	-	18,241	18,241
10	Professional development	4,889	1,064	-	-	5,953	1,710	7,663
11	Other	15,287	14,811	-	-	30,098	1,875	31,973
12	<i>Total expenses</i>	<u>\$ 2,424,926</u>	<u>\$ 915,373</u>	<u>\$ 63,056</u>	-	<u>\$ 3,403,355</u>	<u>\$ 714,902</u>	<u>\$ 4,118,257</u>

See accompanying notes to the financial statements.

ZIONSVILLE PRESBYTERIAN CHURCH
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022

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NET CHANGE IN CASH AND CASH EQUIVALENTS

	REVIEWED 2023	AUDITED 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
1 Cash received from programs and contributions	\$ 4,293,517	\$ 4,350,671
2 Cash paid to suppliers and employees	(4,201,526)	(3,752,471)
3 Interest received	6,249	1,145
4 Interest paid	<u>(8,883)</u>	<u>(9,988)</u>
5 <i>Net cash and cash equivalents provided by operating activities</i>	<u>89,357</u>	<u>589,357</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
6 Proceeds from sale of property	-	364,638
7 Insurance proceeds received for damaged property	-	280,662
8 Purchases of short-term investments	(10,115)	(322,442)
9 Purchases of property and equipment	<u>(1,217,922)</u>	<u>(411,088)</u>
10 <i>Net cash and cash equivalents used in investing activities</i>	<u>(1,228,037)</u>	<u>(88,230)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
11 Proceeds from contributions restricted for:		
Investment in Main Building	746,640	160,000
Investment in Food Pantry Building	<u>332,361</u>	<u>566,450</u>
12 <i>Net cash and cash equivalents provided by financing activities</i>	<u>1,079,001</u>	<u>726,450</u>
13 NET CHANGE IN CASH AND CASH EQUIVALENTS	(59,679)	1,227,577
14 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,665,321</u>	<u>1,437,744</u>
15 CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 2,605,642</u></u>	<u><u>\$ 2,665,321</u></u>
NON-CASH OPERATING ACTIVITY		
16 Operating lease right-of-use asset obtained in exchange for new operating lease liability	<u><u>\$ 33,386</u></u>	<u><u>\$ -</u></u>

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

	REVIEWED 2023	AUDITED 2022
1 CHANGE IN NET ASSETS	<u>\$ 8,984,694</u>	<u>\$ 979,670</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES		
2 Depreciation	291,606	289,308
3 Contributions restricted for long-term purposes	(1,567,795)	(566,450)
4 Change in cash surrender value of life insurance	(9,353)	(10,074)
5 Realized (gain) loss on sale of investments	4,872	(6,306)
6 Realized (gain) loss on sale and disposal of property	5,521	(288,293)
7 Change in donated food inventory	(656)	2,168
8 <i>(Increase) decrease in operating assets</i>		
9 Accounts receivable, net	73	11,207
10 Pledges receivable, net	(7,407,874)	-
11 Prepayments	(26,759)	3,365
12 <i>Increase (decrease) in operating liabilities</i>		
13 Accounts payable	(11,807)	43,620
14 Accrued expenses	(41,665)	17,337
15 Deferred revenue	(18,500)	805
16 Refundable advance of Build, Learn, Grow Stabilization Grant	<u>(113,000)</u>	<u>113,000</u>
17 <i>Total adjustments</i>	<u>(8,895,337)</u>	<u>(390,313)</u>
18 NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 89,357</u></u>	<u><u>\$ 589,357</u></u>

ZIONSVILLE PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

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 approximately \$150,000 and \$2,500 at May 31, 2023 and 2022, respectively. At May 31, 2023 and 2022, the Church maintained cash balances in excess of Federal Deposit Insurance Corporation (FDIC) limits of \$250,000 by approximately \$2,088,000 and \$2,268,000, respectively.

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 weekly 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. There was an allowance of \$1,500 at May 31, 2023 and 2022.

PLEDGES RECEIVABLE

Pledges receivable consist of amounts pledged by members of the congregation to be used to fund the construction and renovation of the Church building. The pledges are not legally binding contracts. Pledges are recognized when the donor makes an unconditional promise to give to the Church and are recorded at their fair values as revenues and assets in that same period. Donor-restricted pledges are reported as increases in net assets with donor restrictions. Pledges that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the pledges are recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions.

The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of the pledges that will not be collected. Management individually reviews all pledges 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. Pledges receivable due in more than one year are discounted at 4.04% at May 31, 2023.

ZIONSVILLE PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

PLEDGES RECEIVABLE, CONTINUED

Pledges were due as follows as of May 31, 2023:

Due within one year	\$ 3,480,444
Due from one to three years	<u>4,388,619</u>
	7,869,063
Discount on pledges due in greater than one year	(234,796)
Allowance for uncollectible pledges	<u>(226,393)</u>
	<u>\$ 7,407,874</u>

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, 2023 and 2022, 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.

PROPERTY AND EQUIPMENT

Property and equipment that the Church purchased in excess of \$2,500 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	20 years
Buildings and improvements	20 – 40 years
Equipment and fixtures	5 – 10 years
Noah's Ark fixed assets	7 years
Other fixed 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.

Construction in process represent the costs incurred for new property and equipment not yet placed in service. There are no future commitments related to these assets at May 31, 2023.

LEASES

Management determines if an arrangement is a lease at inception. The operating lease is included as a right-of-use (ROU) asset and lease liability on the statement of financial position.

ZIONSVILLE PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

LEASES, CONTINUED

The ROU asset represents the Church's right to use an underlying asset for the lease term and the lease liability represents its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Church will exercise that option. Rent expense for lease payments is recognized on a straight-line basis over the lease term. The lease agreement does not contain any material residual value guarantees or material restrictive covenants.

The Church elected the available practical expedient to use a risk-free rate when discounting future lease payments to measure leases at present value on the balance sheet when the implicit rate is unknown.

Also, the Church elected to not apply the recognition requirements in the lease standard to short-term leases (a lease that at commencement date has a lease term of 12 months or less and does not contain a purchase option that the lessee is reasonably certain to exercise).

CONDITIONAL CONTRIBUTIONS: BUILDING FUND CAMPAIGN

The Church has collected \$488,794 in conditional contributions for the Building Fund as of May 31, 2022. As plans were formally approved by the Session during fiscal year 2023, the balance was recognized as contribution income.

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.

Session-designated net assets consist of funds without donor restrictions that can be used in the future in operations in accordance with a Session approved plan of action. The Session has designated \$373,071 and \$564,638 at May 31, 2023 and 2022, respectively, for certain capital expenditures.

ZIONSVILLE PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NET ASSETS, CONTINUED

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 were set aside for the following purposes at May 31:

	<u>2023</u>	<u>2022</u>
Food pantry general	\$ 179,761	\$ 129,179
Food pantry construction	261,056	859,887
Building Fund	8,667,424	-
Great Banquet/Awakening	36,611	43,447
Youth intern program	2,836	2,836
Youth other	4,211	8,663
Missions general	9,583	8,596
CAM	12,896	23,559
Clergy renewal grant	-	1,403
Other	164,802	160,936
	<u>\$ 9,339,180</u>	<u>\$ 1,238,506</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 \$122,091 and \$82,091 at May 31, 2023 and 2022, respectively, were set aside for an endowment. See Note 4.

RECOGNITION OF SUPPORT AND REVENUE

Noah's Ark income is derived primarily from registration and tuition fees and is recognized ratably over the fiscal year. Tuition is billed weekly for services that will be rendered the following week.

Program receipts consist primarily of money paid by Church members to attend mission trips. Revenue is recognized at a point in time when the mission trip occurs.

ZIONSVILLE PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

RECOGNITION OF SUPPORT AND REVENUE, CONTINUED

The following table disaggregates earned revenues between that earned at a point in time and that earned over time:

	<u>2023</u>	<u>2022</u>
Over time	\$ 896,351	\$ 790,783
Point in time	<u>100,692</u>	<u>132,029</u>
Total revenue	<u>\$ 997,043</u>	<u>\$ 922,812</u>

Contributions include unconditional promises to give. Revenue is recognized in the period the unconditional promise is made. Amounts that are not restricted by the donor are reported as an increase in net assets without donor restrictions. All other donor-restricted support, or support where payment is expected in a future period, is reported as an increase in net assets with donor restrictions. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

In accordance with FASB ASC 958-605, conditional promises to give are not recognized as revenue until the conditions are substantially met or explicitly waived by the donor.

TAXES

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). For those activities that the Church determines to be unrelated business income, the Church records the resulting unrelated business income tax refund or liability, if any. The Church did not have a tax refund or liability at May 31, 2023 and 2022.

The income tax provision in the statements of activities includes deferred income tax provisions for all significant temporary differences in recognizing income and expenses for financial reporting and income tax purposes. The deferred tax provision results from the difference between book and tax expenses related to net operating loss carry forwards. Net operating loss carry forwards of approximately \$1,041,000 are available for use in future years with no expiration date. The Church had deferred tax assets of approximately \$219,000 and \$192,000 at May 31, 2023 and 2022, respectively, related to the net operating loss carry forwards available for future use. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax asset will not be realized. Realization of deferred tax assets associated with the net operating loss carryforward is dependent upon generating sufficient taxable income. A valuation allowance of \$219,000 and \$192,000 was deemed necessary by management at May 31, 2023 and 2022, respectively.

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.

ZIONSVILLE PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

ADVERTISING

The Church incurred \$15,452 and \$12,026 in advertising expense for the years ended May 31, 2023 and 2022, respectively. Those costs were expensed as incurred.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 21, 2023, the date on which the financial statements were available to be issued.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

The Church has adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires enhanced disclosures, including disaggregation of the amount of contributed nonfinancial assets by category and information, by category, regarding the sale or use of such assets, donor-imposed restrictions and valuation techniques and inputs used in measurement. See Note 3.

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Account Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standards is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Church adopted the standard effective June 1, 2022 and recognized and measured leases existing at, or entered into after June 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended May 31, 2022 are made under prior lease guidance in FASB ASC 840 (see Note 9).

The Church elected the available practical expedients to account for existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adopting of the new lease accounting guidance, the Church recognized on June 1, 2022, a ROU asset and lease liability of \$38,336, which represents the present value of the remaining operating lease payments of approximately \$39,896, discounted using a risk-free borrowing rate of 2.84%.

The standard had a material impact on the Church's statement of financial position, but did not have an impact on the statements of activities, functional expenses, and cash flows. The most significant impact was the recognition of a ROU asset and lease liability for an operating lease. See Note 8.

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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, cash equivalents, certificates of deposit, and accounts receivable.

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.

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 as of May 31:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 2,605,642	\$ 2,665,321
Short-term investments	752,520	747,277
Accounts receivable, net	27,644	27,717
Pledges receivable, net	<u>7,407,874</u>	<u>-</u>
Total financial assets	<u>10,793,680</u>	<u>3,440,315</u>
Less amounts not available to be used within one year		
Building Fund Campaign – conditional contributions	-	(488,794)
Session designated net assets	(373,071)	(564,638)
Net assets with donor restrictions	<u>(9,461,271)</u>	<u>(1,320,597)</u>
Total amounts not available to be used within one year	<u>(9,834,342)</u>	<u>(2,374,029)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 959,338</u>	<u>\$ 1,066,286</u>

3. IN-KIND CONTRIBUTIONS

The Church received gift cards to be used for the food pantry totaling \$50,749 and \$18,127 for the fiscal years ending May 31, 2023 and 2022, respectively. It is the policy of the Church to record the estimated fair market value of certain in-kind donations as an expense in its statements of activities or as assets in the statements of financial position and similarly increase revenues by a like amount. These contributions have been reflected in the accompanying statements of activities. Accordingly, these transactions have been treated as non-cash transactions and are properly excluded from the statements of cash flows. All donated goods were utilized by the Church's program services. There were no donor-imposed restrictions associated with the donated goods.

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3. IN-KIND CONTRIBUTIONS, CONTINUED

IN-KIND REVENUE, CONTINUED

<u>2023</u>	<u>Donated Goods</u>	<u>Donated Services</u>	<u>Total</u>
Program services	\$ 50,749	\$ -	\$ 50,749
Administrative and marketing	-	-	-
	<u>\$ 50,749</u>	<u>\$ -</u>	<u>\$ 50,749</u>
 <u>2022</u>	 <u>Donated Goods</u>	 <u>Donated Services</u>	 <u>Total</u>
Program services	\$ 18,127	\$ -	\$ 18,127
Administrative and marketing	-	-	-
	<u>\$ 18,127</u>	<u>\$ -</u>	<u>\$ 18,127</u>

4. 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 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.

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4. ENDOWMENT FUND, CONTINUED

INTERPRETATION OF RELEVANT LAW, CONTINUED

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, 2023:

	<u>With Donor Restrictions</u>	
	<u>Time and Purpose</u>	<u>Held in Perpetuity</u>
Endowment net assets, beginning of year	\$ 1,054	\$ 82,091
Contributions	-	40,000
Endowment net assets, end of year	<u>\$ 1,054</u>	<u>\$ 122,091</u>

Changes in endowment net assets for the year ended May 31, 2022:

	<u>With Donor Restrictions</u>	
	<u>Time and Purpose</u>	<u>Held in Perpetuity</u>
Endowment net assets, beginning of year	\$ 1,075	\$ 82,091
Contributions	-	-
Net investment loss	(21)	-
Endowment net assets, end of year	<u>\$ 1,054</u>	<u>\$ 82,091</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, 2023 and 2022.

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4. **ENDOWMENT FUND, CONTINUED**

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.

5. **SHORT TERM INVESTMENTS - CERTIFICATES OF DEPOSIT**

Certificates of deposit totaled \$752,520 and \$747,277 at May 31, 2023 and 2022, respectively. Initial maturity at purchase of these certificates ranged from 6 to 12 months. At May 31, 2023, interest rates ranged from 0.95% to 2.25% with interest paid periodically on a monthly basis.

6. **BANK LINE OF CREDIT**

The Church maintains a line of credit of \$400,000 with a bank that expires September 30, 2023. Borrowings bear interest at the bank's prime rate less 0.5% (7.75% at May 31, 2023) and are secured by substantially all the assets of the Church. There was no outstanding balance on the line of credit at May 31, 2023 and 2022.

7. **RELATED PARTY TRANSACTION**

A General Assembly tax expense of \$43,333 and \$51,402 for the years ended May 31, 2023 and 2022, respectively, was paid to the Presbytery of Whitewater Valley, a related party. The amounts charged were based on a flat per capita fee of \$41.39 per member. However, the Church negotiated a lower total fee during both years.

8. **OPERATING LEASE UNDER FASB ASC 842**

The Organization has an operating lease agreement for office equipment which expires in May 2025.

The components of lease expense for the year ended May 31, 2023 are as follows:

Operating lease cost	<u>\$ 13,679</u>
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Weighted average lease term and discount rate as of May 31, 2023 were as follows:

Weighted average remaining lease term - operating leases	1.92 years
Weighted average discount rate - operating leases	2.84%

ZIONSVILLE PRESBYTERIAN CHURCH
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8. OPERATING LEASE UNDER FASB ASC 842, CONTINUED

Future minimum lease payments under the non-cancellable operating lease as of May 31, 2023 were as follows:

2024	\$ 13,679
2025	<u>12,539</u>
Total undiscounted cash flows	26,218
Less: present value discount	<u>(670)</u>
Total lease liability	25,548
Less: current liability	<u>(13,156)</u>
Long term lease liability	<u>\$ 12,392</u>

9. OPERATING LEASE UNDER FASB ASC 840

The Church has a lease agreement for office equipment expiring May 2025. The rental expense for the operating lease in fiscal year 2022 was \$13,679.

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

2023	\$ 13,679
2024	13,679
2025	<u>12,539</u>
	<u>\$ 39,897</u>

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 \$18,294 and \$13,866 for the years ended May 31, 2023 and 2022, 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.

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10. MULTI-EMPLOYER PENSION PLANS, CONTINUED

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.

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.

11. RECLASSIFICATION

Certain accounts in the fiscal year 2022 financial statements have been reclassified for comparative purposes to conform with the presentation in the fiscal year 2023 financial statements. These reclassifications had no impact on net assets as of May 31, 2022.