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ZIONSVILLE PRESBYTERIAN CHURCH

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

MAY 31, 2011

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## INDEPENDENT AUDITORS' REPORT

To the Session of  
Zionsville Presbyterian Church:

We have audited the accompanying statement of financial position of Zionsville Presbyterian Church as of May 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Church's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Zionsville Presbyterian Church's 2010 financial statements and, in our report dated August 31, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Zionsville Presbyterian Church as of May 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Greenwalt CPAs, Inc.*

August 29, 2011

ZIONSVILLE PRESBYTERIAN CHURCH  
 STATEMENTS OF FINANCIAL POSITION  
 MAY 31, 2011 AND 2010

<u>ASSETS</u>		
	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 446,023	\$ 250,953
Investment in stock	-	10,456
Accounts receivable, net of allowance for doubtful accounts of \$9,825 at May 31, 2011 and 2010	41,637	37,512
Prepayments	66,737	36,458
Donated food inventory	22,469	7,900
<i>Total current assets</i>	<u>576,866</u>	<u>343,279</u>
<b>CASH RESTRICTED FOR ENDOWMENT</b>	<u>32,091</u>	<u>32,091</u>
<b>BENEFICIAL INTEREST IN TRUST</b>	<u>57,274</u>	<u>51,417</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land and improvements	1,338,842	1,338,842
Building and improvements	6,543,015	6,538,727
Equipment and fixtures	1,088,549	1,078,837
Noah's Ark fixed assets	48,064	27,572
Other fixed assets	17,236	17,236
	<u>9,035,706</u>	<u>9,001,214</u>
Accumulated depreciation	(3,253,601)	(3,006,930)
<i>Net property and equipment</i>	<u>5,782,105</u>	<u>5,994,284</u>
<b>OTHER ASSETS</b>		
Loan fees, net of accumulated amortization of \$5,436 and \$4,250 at May 31, 2011 and 2010, respectively	981	2,167
<i>Total assets</i>	<u>\$ 6,449,317</u>	<u>\$ 6,423,238</u>
 <u>LIABILITIES AND NET ASSETS</u>  		
<b>CURRENT LIABILITIES</b>		
Current portion of mortgages payable	\$ 275,427	\$ 135,415
Accounts payable	42,312	34,811
Accrued expenses	168,432	118,931
Deferred revenue	85,891	61,990
<i>Total current liabilities</i>	<u>572,062</u>	<u>351,147</u>
<b>LONG-TERM LIABILITIES</b>		
Mortgages payable, net of current portion	962,579	1,196,236
Refundable advance	24,495	-
<i>Total long-term liabilities</i>	<u>987,074</u>	<u>1,196,236</u>
<i>Total liabilities</i>	<u>1,559,136</u>	<u>1,547,383</u>
<b>COMMITMENTS (NOTE 6)</b>		
<b>NET ASSETS</b>		
Unrestricted	4,692,893	4,677,870
Temporarily restricted	165,197	165,894
Permanently restricted	32,091	32,091
<i>Total net assets</i>	<u>4,890,181</u>	<u>4,875,855</u>
<i>Total liabilities and net assets</i>	<u>\$ 6,449,317</u>	<u>\$ 6,423,238</u>

**ZIONSVILLE PRESBYTERIAN CHURCH**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2011

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED MAY 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
<b>REVENUE</b>					
Contribution income	\$ 2,686,816	\$ 14,874	\$ -	\$ 2,701,690	\$ 2,924,584
Program receipts	84,846	-	-	84,846	81,663
Noah's Ark income, net of discounts	682,379	-	-	682,379	613,162
Cabin income	-	-	-	-	163,585
Miscellaneous income	49,764	5,890	-	55,654	69,022
Net assets released from restriction	21,461	(21,461)	-	-	-
<i>Total revenues</i>	<u>3,525,266</u>	<u>(697)</u>	<u>-</u>	<u>3,524,569</u>	<u>3,852,016</u>
<b>EXPENSES</b>					
Salaries, contract labor and benefits	1,794,124	-	-	1,794,124	2,049,069
Mission/program support and travel	704,088	-	-	704,088	706,601
General office and administrative	303,317	-	-	303,317	376,918
Facility expense	272,458	-	-	272,458	274,164
Depreciation	248,844	-	-	248,844	256,825
Interest, taxes and other	187,412	-	-	187,412	210,232
<i>Total expenses</i>	<u>3,510,243</u>	<u>-</u>	<u>-</u>	<u>3,510,243</u>	<u>3,873,809</u>
<b>CHANGE IN NET ASSETS</b>	15,023	(697)	-	14,326	(21,793)
<b>NET ASSETS, BEGINNING OF YEAR</b>	4,677,870	165,894	32,091	4,875,855	4,867,734
<b>TRANSFER IN OF NET ASSETS [NOTE 1]</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,914</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,692,893</u>	<u>\$ 165,197</u>	<u>\$ 32,091</u>	<u>\$ 4,890,181</u>	<u>\$ 4,875,855</u>

INCREASE IN CASH

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from programs and contributions	\$ 3,538,350	\$ 3,891,612
Cash paid to suppliers and employees	(3,214,862)	(3,680,870)
Interest received	138	130
Interest paid	<u>(29,195)</u>	<u>(31,006)</u>
<i>Net cash provided by operating activities</i>	<u>294,431</u>	<u>179,866</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of stock	10,456	-
Capital expenditures	<u>(16,172)</u>	<u>(3,681)</u>
<i>Net cash used in investing activities</i>	<u>(5,716)</u>	<u>(3,681)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on line of credit	-	(45,000)
Principal payments on mortgages payable	<u>(93,645)</u>	<u>(118,761)</u>
<i>Net cash used in financing activities</i>	<u>(93,645)</u>	<u>(163,761)</u>
<b>INCREASE IN CASH</b>	195,070	12,424
<b>CASH, BEGINNING OF YEAR</b>	<u>250,953</u>	<u>238,529</u>
<b>CASH, END OF YEAR</b>	<u>\$ 446,023</u>	<u>\$ 250,953</u>
<b>SCHEDULE OF NON-CASH INVESTING ACTIVITIES</b>		
Equipment additions from refundable advance	<u>\$ 20,492</u>	<u>\$ -</u>

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

	<u>2011</u>	<u>2010</u>
CHANGE IN NET ASSETS	\$ 14,326	\$ (21,793)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	250,029	258,108
Unrealized gain on beneficial interest in trust	(5,857)	(4,686)
Loss on disposal of assets	-	2,950
Donated stock	-	(10,456)
In-kind expense	4,003	-
Transfer in of cash	-	25,068
<i>(Increase) decrease in operating assets:</i>		
Accounts receivable	(4,125)	(7,787)
Prepayments	(30,279)	(16,645)
Donated food inventory	(14,569)	(3,054)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	7,501	4,680
Accrued expenses	49,501	(84,106)
Deferred revenue	23,901	37,587
<i>Total adjustments</i>	<u>280,105</u>	<u>201,659</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 294,431</u>	<u>\$ 179,866</u>

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2011

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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 (USA) 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 also had a counseling center known as The Cabin through December 2009. The Church is a part of the Presbytery of Whitewater Valley. The Church's primary source of revenue is contribution income.

#### BASIS OF ACCOUNTING

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.

#### SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended May 31, 2010, from which the summarized information was derived.

#### CASH

The Church considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at May 31, 2011 and 2010. The Church has maintained cash balances in excess of Federal Deposit Insurance Corporation limits at May 31, 2011.

#### ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due for tuition for children enrolled in the Noah's Ark preschool program. Accounts receivable are uncollateralized obligations due throughout the preschool year for educational services to be 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.

#### PROPERTY AND EQUIPMENT

Property and equipment 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.

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2011

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### 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.

#### DONATED FOOD INVENTORY

Effective April 1, 2010, the Church assumed the operations of a food pantry. As a result, \$25,068 of cash and \$4,846 of inventory were transferred to the Church. The cash funds are restricted for the use of purchasing food items for the food pantry.

The valuation of inventory is performed for purposes of measuring program activity and does not reflect a net realizable value. At May 31, 2010, the Church valued its donated food inventory at \$1.58 per pound. This estimate reflected the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology, December 31, 2009, prepared by Feeding America, a national food bank network nonprofit corporation. At May 31, 2011, the Church changed its estimate of the value of donated food inventory to \$1.00 per pound to reflect the price at which the Church could re-purchase the food.

At May 31, 2011 and 2010, the Church had inventory on hand of \$22,469 and \$7,900, respectively.

#### DEFERRED REVENUE

Fees collected in advance for mission trips, youth camps, 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 of the financial statements 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.

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2011

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

#### NET ASSETS, CONTINUED

##### 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 \$165,197 and \$165,894 at May 31, 2011 and 2010, respectively, were set aside for the following:

	<u>2011</u>	<u>2010</u>
Charitable remainder annuity trust	\$ 57,274	\$ 51,417
Memorials	9,946	10,703
Signage	23,620	23,620
Food bank	40,987	37,986
Community assistance	7,814	7,937
Youth programs	851	5,428
Other	24,705	28,803
	<u>\$ 165,197</u>	<u>\$ 165,894</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, 2011 and 2010, were set aside for an endowment. See Note 2.

#### FAIR VALUE MEASUREMENTS

Accounting Standards for Fair Value Measurements defines fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in an orderly transaction. Those standards also establish a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2011

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

Fair values measured on a recurring basis at May 31 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>2011</u>				
Beneficial interest in trust	<u>\$ 57,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,274</u>
<u>2010</u>				
Beneficial interest in trust	\$ 51,417	\$ -	\$ -	\$ 51,417
Investment in stock	<u>10,456</u>	<u>10,456</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 61,873</u>	<u>\$ 10,456</u>	<u>\$ -</u>	<u>\$ 51,417</u>

As described in Note 3, the fair value of the beneficial interest in the trust is based on the Church's stated share of the trust times the fair value of the investments making up the trust. The fair value of the investment in stock was determined based upon quoted market prices. There have been no changes in the methodologies used at May 31, 2011.

#### Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

	<u>Beneficial Interest in Trust</u>
Balance, May 31, 2010	\$ 51,417
Unrealized gains on trust assets	<u>5,857</u>
Balance, May 31, 2010	<u>\$ 57,274</u>

#### 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.

Accounting Standards for Income Taxes provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an organization's financial statements.

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2011

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

#### TAX STATUS, CONTINUED

The Church individually evaluates its activities to determine that they are in compliance with its exempt purpose. For those activities that the Church determines to be unrelated business income, the Church records the resulting unrelated business income tax liability, if any. All tax periods prior to 2008 are no longer subject to examination.

#### 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>2011</u>	<u>2010</u>
Church and missions	\$ 1,566,086	\$ 1,778,385
Noah's Ark	746,037	735,631
Cabin	-	181,767
Administrative	1,154,870	1,136,012
Stewardship/Benevolence	43,250	42,014
	<u>\$ 3,510,243</u>	<u>\$ 3,873,809</u>

#### ADVERTISING

The Church incurred \$4,051 and \$7,041 in advertising expense for the years ended May 31, 2011 and 2010, respectively. Those costs are expensed as incurred.

#### SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 29, 2011, the date which the financial statements were available to be issued and determined that no such events have occurred that would require adjustment to the financial statements.

Subsequent to year-end, the founding pastor of the Church has resigned effective July 31, 2011. The Session will call an interim senior pastor until the Session initiates the search process for a full-time senior pastor.

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2011

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### 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.

Changes in Endowment Net Assets for the Years Ended May 31, 2011 and 2010:

	<u>Permanently Restricted - 2011</u>	<u>Permanently Restricted - 2010</u>
Endowment net assets, beginning of year	\$ 32,091	\$ 32,091
Net investment income	33	32
Appropriated for spending	<u>(33)</u>	<u>(32)</u>
Endowment net assets, end of year	<u>\$ 32,091</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, 2011.

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2011

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### 2. 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 is disbursed for possible appropriation by Session members. Once appropriated for a particular reason, the funds then become unrestricted in nature.

### 3. STOCK INVESTMENT AND BENEFICIAL INTEREST IN TRUST

The Church's policy for receiving donated shares of stock is to sell the shares for cash as soon as possible after receiving notice of the donation. At May 31, 2010, the Church had \$10,456 in stock waiting to be sold.

The Church holds a 6.25% interest in a charitable remainder unitrust agreement. This agreement provides for the distribution of the remaining trust balance upon the death of the last remaining beneficiary. The expected fair value of the assets to be received by the Church upon termination of the agreement has been recorded at present value. The May 31, 2011 recorded value includes an unrealized investment gain of \$5,857, and the May 31, 2010 recorded value includes an unrealized investment gain of \$4,686.

### 4. BANK LINE OF CREDIT

The Church maintains a line of credit of \$400,000 with a bank that expires September 30, 2011. Borrowings bear interest at the bank's prime rate less .25% and are secured by substantially all the assets of the Church. There was no outstanding balance on the line of credit at May 31, 2011 and 2010.

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2011

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### 5. 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 again 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. Amounts outstanding on the two mortgages payable at May 31 are:

	<u>2011</u>	<u>2010</u>
Mortgage payable to bank, due in monthly installments of \$10,530 including interest at prime less 1% (total of 2.25% at May 31, 2011) through June 2011, with a single balloon payment in July 2011, secured by the Church building (refinanced in August 2011)	\$ 4,928	\$ 1,087,741
Mortgage payable to bank, due in monthly installments of \$3,852, including interest at 4.47% through June 2016, with a single balloon payment in July 2016, secured by the Church building	503,532	-
Mortgage payable to bank, due in monthly installments of \$3,422, including interest at prime less 0.5% (total of 2.75% at May 31, 2011) through June 2016, with a single balloon payment in July 2016, secured by the Church building	503,533	-
Mortgage payable to bank, due in monthly installments of \$3,108 including interest at prime less 1% (total of 2.25% at May 31, 2011) through April 2012, with a single balloon payment in May 2012, secured by the acquired property	226,013	243,910
	1,238,006	1,331,651
Less current portion	(275,427)	(135,415)
Long-term portion	<u>\$ 962,579</u>	<u>\$ 1,196,236</u>

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2011

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### 5. MORTGAGES PAYABLE, CONTINUED

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

2012	\$	275,427
2013		52,902
2014		54,845
2015		56,863
2016		58,883
Thereafter		<u>739,086</u>
	\$	<u>1,238,006</u>

### 6. OPERATING LEASES

The Church has entered into lease agreements for two pieces of office equipment. The agreements have expiration dates of March 2013 and February 2015. The rental expense for both operating leases for the years ended May 31, 2011 and 2010, was \$12,370 and \$18,401, respectively.

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

2012	\$	8,388
2013		8,070
2014		6,480
2015		<u>4,860</u>
	\$	<u>27,798</u>

### 7. RELATED PARTY TRANSACTION

The General Assembly tax expense of \$55,000 for the year ended May 31, 2011 was paid in January 2011 to the Presbytery of Whitewater Valley, a related party. The amount charged was based on a flat per capita fee of \$31.15 per member, however the Church negotiated a lower total fee for the year ended May 31, 2011. For the year ended May 31, 2010, this tax expense was \$54,952 and was based on a flat per capita fee of \$27.60 per member.

### 8. 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 (USA). Contributions under this plan amounted to \$30,805 and \$37,184 for the years ended May 31, 2011 and 2010, respectively.

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 (USA) 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 100% fully funded.

# ZIONSVILLE PRESBYTERIAN CHURCH

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2011

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### 8. PENSION PLANS, CONTINUED

The Church also has a 403(b) retirement savings plan available to all employees who work a minimum number of hours. Funds are provided for the plan by pre-tax payroll deduction, or by eligible employees directing any portion of available benefit credits. During the years ended May 31, 2011 and 2010, a total of \$51,411 and \$51,004, respectively, was contributed by employees to this plan.



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Session of  
Zionsville Presbyterian Church:

Our audits of the May 31, 2011 and 2010 financial statements were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Our report on the basic financial statements appears on page 1. The supplementary information shown in Exhibit I is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the same auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Greenwalt CPAs, Inc.*

August 29, 2011

