

**INDIANA-KENTUCKY CONFERENCE OF THE
UNITED CHURCH OF CHRIST**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2018
WITH SUMMARIZED COMPARATIVE FINANCIAL
INFORMATION AS OF AND FOR THE YEAR
ENDED DECEMBER 31, 2017**

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

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WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

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Independent Auditors' Report

Board of Directors and Members
Indiana-Kentucky Conference of the
United Church of Christ
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Indiana-Kentucky Conference of the United Church of Christ, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

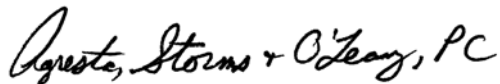
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana-Kentucky Conference of the United Church of Christ as of December 31, 2018, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Indiana-Kentucky Conference of the United Church of Christ's December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Indianapolis, Indiana
September 19, 2019

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
AS OF DECEMBER 31, 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 251,405	\$ 232,591
Accounts receivable	323	323
Prepaid expenses	10,810	22,386
Notes receivable, net	10,193	1,193
Land held for sale	364,290	364,290
Investments	915,717	1,101,962
Property and equipment, net	18,425	21,321
Nonmarketable investments and other	196,521	203,745
Total assets	\$ 1,767,684	\$ 1,947,811
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 184,108	\$ 216,281
Due to other organizations	63,294	60,746
Line of credit	-0-	120,000
Unearned income	-0-	149
Total liabilities	247,402	397,176
Net assets:		
Without donor restrictions	1,333,674	1,355,808
With donor restrictions	186,608	194,827
Total net assets	1,520,282	1,550,635
Total liabilities and net assets	\$ 1,767,684	\$ 1,947,811

See accompanying Notes to Financial Statements.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Year Ended December 31, 2018			Year Ended December 31, 2017
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues:				
OCWM	\$ 494,963	\$ -0-	\$ 494,963	\$ 537,593
Merom Conference Center	9	-0-	9	89,453
Registrations	41,104	-0-	41,104	52,758
Contributions	227	872	1,099	1,624
Investment income (loss)	(60,784)	(6,136)	(66,920)	140,825
Other	10,992	-0-	10,992	4,299
Released from restrictions	2,955	(2,955)	-0-	-0-
Total revenues	<u>489,466</u>	<u>(8,219)</u>	<u>481,247</u>	<u>826,552</u>
Expenses:				
Program services	306,742	-0-	306,742	375,291
Supporting services	204,858	-0-	204,858	171,492
Total expenses	<u>511,600</u>	<u>-0-</u>	<u>511,600</u>	<u>546,783</u>
Change in net assets from operations	(22,134)	(8,219)	(30,353)	279,769
Contributions to other organization	-0-	-0-	-0-	(850,826)
Change in net assets	(22,134)	(8,219)	(30,353)	(571,057)
Net assets, beginning of year	<u>1,355,808</u>	<u>194,827</u>	<u>1,550,635</u>	<u>2,121,692</u>
Net assets, end of year	<u>\$ 1,333,674</u>	<u>\$ 186,608</u>	<u>\$ 1,520,282</u>	<u>\$ 1,550,635</u>

See accompanying Notes to Financial Statements.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services	Support Services Management and General	Total Expenses
Functional expenses:			
Salaries and wages	\$ 93,124	\$ 71,963	\$ 165,087
OCWM National support	89,882	-0-	89,882
Benefits and payroll taxes	36,270	32,824	69,094
Professional and consulting fees	13,014	42,342	55,356
Program meetings and events	36,349	-0-	36,349
Mileage and travel	24,555	-0-	24,555
Rent	-0-	23,205	23,205
Office expenses and equipment	-0-	12,806	12,806
Other expenses	6,017	6,457	12,474
Dues and subscriptions	-0-	7,860	7,860
Grants	7,531	-0-	7,531
Insurance	-0-	4,505	4,505
	306,742	201,962	508,704
Total expenses before depreciation			
Depreciation	-0-	2,896	2,896
	\$ 306,742	\$ 204,858	\$ 511,600
Total expenses			

See accompanying Notes to Financial Statements.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

STATEMENT OF CASH FLOWS

**YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (30,353)	\$ (571,057)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,896	2,896
Unrealized (gain) loss on investments	150,201	(30,019)
Realized gain on investments	(68,389)	(97,967)
Contributions to other organization	-0-	850,826
Changes in operating assets and liabilities:		
Prepaid expenses	11,576	(17,813)
Other assets	7,224	(7,390)
Accounts payable	(32,173)	66,718
Due to other organizations	2,548	7,886
Unearned income	(149)	(1,231)
Net cash provided by operating activities	<u>43,381</u>	<u>202,849</u>
Cash flows from investing activities:		
Issuance of note receivable	(9,000)	-0-
Purchase of investments	(691,183)	(327,900)
Proceeds from sales of investments	795,616	578,085
Net cash provided by investing activities	<u>95,433</u>	<u>250,185</u>
Cash flows from financing activities:		
Cash contributions to other organization	-0-	(296,344)
Net borrowings (repayments) on line of credit	(120,000)	30,000
Net cash used in financing activities	<u>(120,000)</u>	<u>(266,344)</u>
Net increase in cash and cash equivalents	18,814	186,690
Cash and cash equivalents, beginning of year	<u>232,591</u>	<u>45,901</u>
Cash and cash equivalents, end of year	<u>\$ 251,405</u>	<u>\$ 232,591</u>
Supplemental cash flows information:		
Interest paid	<u>\$ 3,448</u>	<u>\$ 6,736</u>

See accompanying Notes to Financial Statements.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Indiana-Kentucky Conference of the United Church of Christ (the Conference) is a covenantal unit of the United Church of Christ organized and operated exclusively for religious purposes. The Indiana-Kentucky Conference of the United Church of Christ is composed of the Conference office. The Conference office performs the duties of the United Church of Christ for the areas of Indiana and Kentucky. The Merom Conference Center, prior to January 1, 2017, operated as a camp for various groups and was wholly owned by the Conference. The Conference is supported primarily through mission support from individuals and churches. The Merom Conference Center received most of its income from contributions and facilities use. The board of directors of the Conference approved the transfer of all assets and operations of the Merom Conference Center to a separate non-profit organization, effective on January 1, 2017. See Note 14 for additional information.

BASIS OF ACCOUNTING

The Conference's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the related liability is incurred.

FINANCIAL STATEMENT PRESENTATION

The financial statements follow certain provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. This statement established standards for external financial reporting for not-for-profit organizations.

ASC 958 primarily affects the display of financial statements and requires that the amounts for each of two classes of net assets – net assets with donor restrictions and net assets without donor restrictions – be displayed in an aggregate statement of financial position and the amounts of change in each of those classes be displayed in a statement of activities. The two net asset accounts used include the following:

Net Assets without Donor Restrictions—Funds that have not been restricted in any manner by the donors are referred to as net assets without donor restrictions and are available for general Conference purposes. At December 31, 2018 and 2017, the Conference had net assets without donor restrictions of \$1,333,674 and \$1,355,808, respectively.

Net Assets with Donor Restrictions—Net asset amounts received from donors or grantors who have specified the use of their gifts or grants for specific purposes. Net assets with donor restrictions are subject to donor-imposed restrictions that will be met by future obligations or are to be invested and maintained intact in perpetuity. At December 31, 2018 and 2017, the Conference had net assets with donor restrictions of \$186,608 and \$194,827, respectively.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

CONTRIBUTIONS

Contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a 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 statements of activities as released from restrictions.

REVENUE RECOGNITION

The Conference recognizes revenue when earned on the accrual basis.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include monies in banks and highly liquid investments with maturity dates of less than three months. Cash equivalents held in investment brokerage accounts are considered investments for financial reporting purposes on the statements of financial position and cash flows.

USE OF ESTIMATES IN PREPARATION OF THE FINANCIAL STATEMENTS

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 the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

NOTES RECEIVABLE

Notes receivable consist of loans to clergy, seminary students, and churches. The Conference provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the individual accounts. After the Conference has determined accounts that are uncollectible, these balances are written off through a charge to the valuation allowance and a credit to notes receivable. The allowance for doubtful notes receivable at December 31, 2018 and 2017 was \$3,932 and \$3,932, respectively.

INVESTMENTS

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements. Investment income is recognized when earned. Unrealized gains and losses are included in the change of net assets in the accompanying statements of activities.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost or, if donated, at the fair market value on the date of donation. Acquisitions in excess of \$1,000 are capitalized.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis. The following is a summary of estimated useful lives used.

Building and improvements	20-40 years
Furniture and equipment	5-10 years
Vehicles	5 years

DONATED SERVICES

No amounts have been reflected in the financial statements for donated services. The Conference pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Conference with specific programs and various committee assignments.

INCOME TAXES

The Conference is organized as a not-for-profit corporation and, accordingly, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, except for amounts representing unrelated business income. There was no unrelated business income for the years ended December 31, 2018 and 2017.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Conference, including its tax status, and recognize tax assets or liability if the Conference has taken a position that more likely than not would be sustained upon examination by the Internal Revenue Service. Management has concluded that as of December 31, 2018, all tax positions taken or expected to be taken would more likely than not be sustained under examination.

RECLASSIFICATIONS

Certain prior year amounts on the statement of activities and changes in net assets were reclassified to conform to current year presentation. The reclassification had no effect on the net assets or changes in net assets.

NEW ACCOUNTING STANDARD

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, functional expenses, and cash flows. This new standard, which the Conference has adopted during the year ended December 31, 2018, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and changes in those resources) to donors, grantors, creditors, and other users. The effect of ASU No. 2016-14 resulted in a reclassification of temporarily and permanently restricted net assets to net assets with donor restrictions of \$194,827 at December 31, 2017.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

**DECEMBER 31, 2018
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At December 31, 2018, the Conference's financial assets available for general expenditures within one year of the statement of financial position date include the following:

Cash and cash equivalents	\$ 251,405
Accounts receivable	323
Notes receivable, net	10,193
Investments	<u>915,717</u>
Total financial assets	1,177,638
Less amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	(176,608)
Restricted by donors in perpetuity	(10,000)
Board-designated with purpose restrictions	<u>(1,015,252)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ (24,222)</u>

As part of the Conference's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

3. LAND HELD FOR SALE

During 2013, an affiliated church deeded over its land and building to the Conference after the affiliated church ceased all operations. Subsequent to contribution of the property, the Conference demolished the church structures to prepare the property for sale as an empty lot. The donated property was recorded as contributions based on the fair value of the land in the amount of \$153,000 in a prior year. Total land held for sale at December 31, 2018 and 2017 was \$364,290, which includes the fair value of the donated land and other acquisition and demolition costs.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

**DECEMBER 31, 2018
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

4. INVESTMENTS

Investments, including those held for endowments, are carried in the financial statements at fair market value. Cost and market values of all investments at December 31, 2018 and 2017 are presented as follows:

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Mutual funds and related investments	\$ 861,553	\$ 915,717	\$ 321,317	\$ 465,227
Common and preferred stock	-0-	-0-	354,527	412,208
U.S. Government securities	-0-	-0-	26,921	26,120
Corporate bonds	-0-	-0-	101,451	99,431
Asset-backed securities	-0-	-0-	46,228	45,360
Certificates of deposit	-0-	-0-	35,433	35,433
Cash equivalents	-0-	-0-	18,183	18,183
Total	<u>\$ 861,553</u>	<u>\$ 915,717</u>	<u>\$ 904,060</u>	<u>\$ 1,101,962</u>

The Conference has adopted an investment program to help ensure the long-term viability of the organization. At December 31, 2018 and 2017, one investment comprised 100% and 38% of the market value of total investments, respectively. Although the market values of the investments are subject to fluctuations on a year-to-year basis, management believes the investment program is prudent for the long-term welfare of the Conference.

The following schedule summarizes investment income (loss) and its classification in the statement of activities for the years ended December 31, 2018 and 2017:

<u>December 31, 2018</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 18,252	\$ 1,842	\$ 20,094
Realized gains	62,118	6,271	68,389
Unrealized losses	(136,429)	(13,772)	(150,201)
Investment fees	(4,725)	(477)	(5,202)
Investment income (loss), net	<u>\$ (60,784)</u>	<u>\$ (6,136)</u>	<u>\$ (66,920)</u>

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2017</u>			
Interest and dividends	\$ 19,003	\$ 1,889	\$ 20,892
Realized gains	89,110	8,857	97,967
Unrealized gains	27,305	2,714	30,019
Investment fees	<u>(7,325)</u>	<u>(728)</u>	<u>(8,053)</u>
Investment income (loss), net	<u>\$ 128,093</u>	<u>\$ 12,732</u>	<u>\$ 140,825</u>

5. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value based on a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are not observable in the market and reflect management’s judgment about the assumptions that market participants would use in pricing the asset or liability.

Within the fair value hierarchy, the fair value measurement level of the asset or liability is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Common and preferred stocks, U.S. government securities, corporate bonds, asset-back securities, hedge fund, certificates of deposit, and cash equivalents – Valued at the closing price reported in the active market in which the individual security is traded.

Mutual funds – Certain mutual funds are valued at the closing price reported in the active market in which the individual security is traded. Other mutual funds are valued based on the net asset value (NAV) reported by the fund and supported by audited financial statements.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

At December 31, 2018 and 2017, the investments are reported at fair value as follows:

<u>December 31, 2018</u>	<u>Total</u>	<u>Quoted Market 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>
Investments measured at net asset value**	\$ 915,717	\$ -0-	\$ -0-	\$ -0-
Total	\$ 915,717	\$ -0-	\$ -0-	\$ -0-
 <u>December 31, 2017</u>				
Mutual funds:				
Emerging markets	\$ 39,693	\$ 39,693	\$ -0-	\$ -0-
Large value	4,820	4,820	-0-	-0-
Common and preferred stock:				
Basic materials	26,060	26,060	-0-	-0-
Communication	18,245	18,245	-0-	-0-
Consumer cyclical	63,680	63,680	-0-	-0-
Consumer defensive	35,308	35,308	-0-	-0-
Energy	8,603	8,603	-0-	-0-
Financial	74,836	74,836	-0-	-0-
Healthcare	39,207	39,207	-0-	-0-
Industrials	20,972	20,972	-0-	-0-
Technology	103,041	103,041	-0-	-0-
Utilities	22,256	22,256	-0-	-0-
U.S. Government securities	26,120	26,120	-0-	-0-
Corporate bonds	99,431	99,431	-0-	-0-
Asset-backed securities	45,360	45,360	-0-	-0-
Certificates of deposit	35,433	35,433	-0-	-0-
Cash equivalents	18,183	18,183	-0-	-0-
Investments measured at net asset value**	420,714	-0-	-0-	-0-
Total	\$ 1,101,962	\$ 681,248	\$ -0-	\$ -0-

** In accordance with ASC 820-10, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

FAIR VALUE OF INVESTMENTS THAT CALCULATE NET ASSET VALUE

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of December 31, 2018 and 2017:

<u>December 31, 2018</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Moderate balanced fund (a)	\$ 915,717	\$ -0-	Monthly	30 - 60 days
 <u>December 31, 2017</u>				
Moderate balanced fund (a)	\$ 420,714	\$ -0-	Monthly	30 - 60 days

(a) *Moderate balanced fund* – The moderate balanced fund spreads investment risk across many securities in the portfolio to minimize potential loss. The fund also diversifies across asset classes (stocks and bonds), investment styles (growth and value) and capitalization size (large and small caps).

6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 14,737	\$ 14,737
Furniture and equipment	<u>132,862</u>	<u>132,862</u>
	147,599	147,599
Less accumulated depreciation	<u>129,174</u>	<u>126,278</u>
Property and equipment, net	<u><u>\$ 18,425</u></u>	<u><u>\$ 21,321</u></u>

7. NONMARKETABLE INVESTMENTS AND OTHER ASSETS

The Conference invested in a debenture warrant (warrant capital) of the Indiana Interchurch Center Corporation (the Corporation). Interest of 7% is currently earned on the warrant. The warrant, which is subordinate to any existing debt of the Corporation in favor of any bank or other financial institution, is payable at such time or times as may be determined by the Corporation's Board of Directors but is payable in any event prior to final dissolution of the Corporation. This investment is accounted for under the cost method with balances as noted below.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

The Conference also has eight associations within its jurisdiction. If these associations dissolve, the assets revert to the Conference. The association assets consist of checking and savings accounts, as well as certificates of deposit.

At December 31, 2018 and 2017, nonmarketable investments and other assets consist of the following:

	<u>2018</u>	<u>2017</u>
Indiana Interchurch Center Corporation warrant capital	\$ 113,511	\$ 113,511
Indiana Interchurch Center Corporation equity certificate	10,000	10,000
Association assets	<u>73,010</u>	<u>80,234</u>
Total other assets	<u><u>\$ 196,521</u></u>	<u><u>\$ 203,745</u></u>

8. LINE OF CREDIT

The Conference established a line of credit of \$255,000 with its investment broker which was due on demand. Interest was paid monthly at the London Interbank Offered Rate (LIBOR) plus 3.75%. The line of credit was secured by investments held with the investment broker. During 2018, the line of credit was cancelled and paid in full. Borrowings against this line of credit at December 31, 2018 and 2017 were \$-0- and \$120,000, respectively.

9. ENDOWMENT

The Conference's endowment consisted of two individual funds: one established to maintain and improve the Merom Conference Center and another established for Our Church's Wider Mission for the Conference. During the year ended December 31, 2017, the endowment fund associated with Merom Conference Center was contributed to another organization. See Note 14. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Conference has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value 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 Conference classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Conference in a manner consistent with the standard of prudence prescribed by UPMIFA.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

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DECEMBER 31, 2018 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

In accordance with UPMIFA, the Conference considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Conference and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and all appreciation of investments
- Other resources of the Conference
- The investment policies of the Conference

The endowment net asset composition by type of fund as of December 31, 2018 and 2017 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2018</u>			
Donor-restricted endowments	\$ -0-	\$ 10,000	\$ 10,000
Unrestricted, Board-designated	2,212	-0-	2,212
Total endowment funds	\$ 2,212	\$ 10,000	\$ 12,212
<u>December 31, 2017</u>			
Donor-restricted endowments	\$ -0-	\$ 10,000	\$ 10,000
Unrestricted, Board-designated	3,079	-0-	3,079
Total endowment funds	\$ 3,079	\$ 10,000	\$ 13,079

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NOTES TO FINANCIAL STATEMENTS

**DECEMBER 31, 2018
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

Activity in the endowment by net asset class for the years ended December 31, 2018 and 2017 are summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance , January 1, 2017	\$ 1,336	\$ 223,314	\$ 224,650
Investment income:			
Interest and dividends	259	-0-	259
Net gains, realized and unrealized	1,484	-0-	1,484
Total investment income	1,743	-0-	1,743
New gifts	-0-	-0-	-0-
Contributions to other organization	-0-	(213,314)	(213,314)
Release of restrictions	-0-	-0-	-0-
Balance , December 31, 2017	3,079	10,000	13,079
Investment income:			
Interest and dividends	260	-0-	260
Net gains, realized and unrealized	(1,127)	-0-	(1,127)
Total investment income (loss)	(867)	-0-	(867)
New gifts	-0-	-0-	-0-
Release of restrictions	-0-	-0-	-0-
Balance , December 31, 2018	<u>\$ 2,212</u>	<u>\$ 10,000</u>	<u>\$ 12,212</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 UPMIFA requires the Conference to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2018 and 2017.

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RETURN OBJECTIVES AND RISK PARAMETERS

The Conference has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Conference, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted fund that the Conference must hold in perpetuity or for donor-specified periods, as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term appreciation of the principal and generate income while ensuring the safety of the principal at all times. The Conference expects its endowment funds, over time, to provide a net return (after fees and inflation) commensurate with the mix of the portfolio relative to market returns. Actual returns in any given year may vary from this expectation.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Conference relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Conference targets a diversified asset allocation that places a limit on equity-based investments not to exceed 75% of the total endowment balance to achieve its long-term objectives within prudent risk constraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Conference may distribute based on an annual income equal to 5% of the rolling average of the market value of the portfolio over 20 quarters. Annual income will be determined in the first quarter of each year. In establishing this policy, the Conference considered its desire to be flexible in providing support to the Conference while maintaining a balance in the investment account. Accordingly, over the long term, the Conference expects its spending policy to allow its endowments to grow. This is consistent with the Conference's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

10. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available as of December 31, 2018 and 2017 for the following purposes:

	<u>2018</u>	<u>2017</u>
Clergy and Lay Education	\$ 73,402	\$ 79,723
Mission and Outreach	48,783	48,783
Pastoral Emergency	(434)	208
Holding Fund	4,312	4,312
Authorized Ministry Scholarship Fund	7,324	8,122
Wesson Fund	4,271	4,574
Widening the Welcome	38,950	39,105
OCWM Endowment	10,000	10,000
	<u>\$ 186,608</u>	<u>\$ 194,827</u>

11. COMMITMENTS

The Conference rents office space from the Indiana Interchurch Center Corporation under the terms of an annual renewable lease. The rent is subject to annual incremental increases based on square footage. Since the Conference is a warrant holder of the Indiana Interchurch Center Corporation, it receives a credit each year toward its rent expense. For 2018 and 2017, the credit is equal to 7% of the warrant capital amount of \$113,511. Net rental expense for 2018 and 2017 was \$23,205 and \$22,658, respectively.

Minimum annual rental payments required under the operating lease are \$18,581.

The Conference also leases office equipment from various unrelated parties under noncancelable agreements. For the years ended December 31, 2018 and 2017, lease expense for this equipment was \$4,154 and \$4,154, respectively.

Minimum future lease payments under all leases are summarized as follows:

<u>Years ended December 31,</u>	
2019	\$ 21,125
2020	2,544
2021	2,544
2022	2,544
2023	<u>2,544</u>
	<u>\$ 31,301</u>

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

12. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Conference to concentrations of credit risk consist of money market accounts and investment securities.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Conference has not experienced any losses in such accounts. The Conference believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Conference has significant investments in mutual funds and is, therefore, subject to concentrations of credit risk. Investments are made by investment managers engaged by the Conference, and the investments are monitored by the finance committee of the Conference. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Conference.

13. PENSION PLAN

The Conference participates in the defined contribution pension plan of the United Church of Christ. All persons employed in eligible service and who are normally scheduled to work at least 20 hours per week in active service shall be eligible for participation in the pension plan, effective on the date of employment, at a rate of 14% of the salary base.

During the years ended December 31, 2018 and 2017, pension expense for eligible participants was \$31,147 and \$23,157, respectively.

14. CONTRIBUTIONS TO OTHER ORGANIZATION

The board approved the transfer of all assets and operations of the Merom Conference Center to another nonprofit organization, Merom Camp & Retreat Center, Inc. (MCRC), which was completed effectively on January 1, 2017. During the year ended December 31, 2017, assets associated with the Merom Conference Center were transferred to MCRC in the amount of \$850,826. These assets consisted of \$554,482 in property and equipment (at net book value) and investment and other funds associated with the Merom Conference Center endowment, net assets with donor restrictions and board-designated net assets of \$296,344.

15. SUBSEQUENT EVENTS

In accordance with ASC Topic 855, *Subsequent Events*, the Conference has evaluated subsequent events through September 19, 2019, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NET ASSETS ANALYSIS

YEAR ENDED DECEMBER 31, 2018

	Balance January 1, 2018	Revenues	Expenses	Release of Restrictions	Balance December 31, 2018
Net assets without donor restrictions:					
Operating	\$ 266,510	\$ 547,068	\$ 495,156	\$ -0-	\$ 318,422
Board-designated net assets:					
Our Church's Wider Mission Endowment	3,079	(867)	-0-	-0-	2,212
Campus Ministries	137,608	(9,115)	3,500	-0-	124,993
Donald R. Buckthal Development	617,763	(40,694)	6,017	-0-	571,052
Property	181,677	-0-	2,896	-0-	178,781
Youth Ministries	62,301	(4,127)	1,076	-0-	57,098
Young Adult Ministries	58,382	(3,867)	-0-	-0-	54,515
Outdoor Ministries	28,488	(1,887)	-0-	-0-	26,601
Total Board-designated net assets	1,089,298	(60,557)	13,489	-0-	1,015,252
Total net assets without donor restrictions	1,355,808	486,511	508,645	-0-	1,333,674
Net assets with donor restrictions:					
Clergy and Lay Education	79,723	(5,281)	1,040	-0-	73,402
Mission and Outreach	48,783	-0-	-0-	-0-	48,783
Pastoral Emergency	208	858	1,500	-0-	(434)
Holding Fund	4,312	-0-	-0-	-0-	4,312
Authorized Ministry Scholarship Fund	8,122	(538)	260	-0-	7,324
Wesson Fund	4,574	(303)	-0-	-0-	4,271
Widening the Welcome	39,105	-0-	155	-0-	38,950
OCWM Endowment	10,000	-0-	-0-	-0-	10,000
Total net assets with donor restrictions	194,827	(5,264)	2,955	-0-	186,608
Total net assets	\$ 1,550,635	\$ 481,247	\$ 511,600	\$ -0-	\$ 1,520,282

See accompanying Notes to Financial Statements.