

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

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2020
WITH SUMMARIZED COMPARATIVE FINANCIAL
INFORMATION AS OF AND FOR THE YEAR
ENDED DECEMBER 31, 2019**

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

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Independent Accountants' Review Report

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

We have reviewed 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, 2020, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether or not 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 Indiana-Kentucky Conference of the United Church of Christ and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

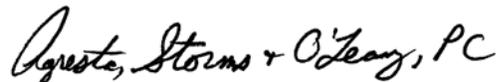
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America

Report on Summarized Comparative Information

We have previously reviewed the Indiana-Kentucky Conference of the United Church of Christ's December 31, 2019 financial statements, and stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America in our report dated November 16, 2020. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2019 to be consistent with the reviewed financial statements from which it has been derived.

Supplementary Information

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 supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.



Indianapolis, Indiana
May 28, 2021

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
AS OF DECEMBER 31, 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 493,713	\$ 241,805
Accounts receivable	323	323
Prepaid expenses	15,147	12,477
Notes receivable, net	1,193	1,193
Land held for sale	364,290	364,290
Investments	1,241,677	1,097,910
Property and equipment, net	13,612	15,529
Nonmarketable investments and other	206,605	208,433
Total assets	\$ 2,336,560	\$ 1,941,960
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 359,582	\$ 192,153
Due to other organizations	41,153	58,144
Unearned income	10,647	22,146
Paycheck Protection Program (PPP) loan	48,842	-0-
Total liabilities	460,224	272,443
Net assets:		
Without donor restrictions:		
Board designated	1,298,882	1,153,917
Undesignated	349,875	317,042
	1,648,757	1,470,959
With donor restrictions	227,579	198,558
Total net assets	1,876,336	1,669,517
Total liabilities and net assets	\$ 2,336,560	\$ 1,941,960

See Independent Accountants' Review Report
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, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

	Year Ended December 31, 2020			Year Ended December 31, 2019
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues:				
OCWM	\$ 477,188	\$ -0-	\$ 477,188	\$ 493,531
Registrations	44,977	-0-	44,977	42,587
Contributions	49,205	20,012	69,217	9,594
Investment income	126,485	12,789	139,274	175,857
Other	18,243	-0-	18,243	10,513
Released from restrictions	3,780	(3,780)	-0-	-0-
Total revenues	719,878	29,021	748,899	732,082
Expenses:				
Program services	387,925	-0-	387,925	407,211
Supporting services	154,155	-0-	154,155	175,636
Total expenses	542,080	-0-	542,080	582,847
Change in net assets	177,798	29,021	206,819	149,235
Net assets, beginning of year	1,470,959	198,558	1,669,517	1,520,282
Net assets, end of year	\$ 1,648,757	\$ 227,579	\$ 1,876,336	\$ 1,669,517

See Independent Accountants' Review Report
See accompanying Notes to Financial Statements.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

	Year Ended December 31, 2020			Year Ended December 31, 2019
	Program Services	Support Services Management and General	Total Expenses	
Functional expenses:				
Salaries and wages	\$ 132,817	\$ 73,029	\$ 205,846	\$ 181,559
Benefits and payroll taxes	66,819	27,482	94,301	97,276
OCWM National support	87,882	-0-	87,882	92,091
Program meetings and events	51,716	-0-	51,716	59,740
Professional and consulting fees	14,864	4,063	18,927	43,934
Rent	-0-	18,292	18,292	19,215
Grants	13,430	-0-	13,430	3,061
Other expenses	10,030	2,368	12,398	33,437
Mileage and travel	10,367	-0-	10,367	23,079
Office expenses and equipment	-0-	9,967	9,967	13,941
Dues and subscriptions	-0-	8,872	8,872	7,432
Insurance	-0-	7,035	7,035	5,186
Total expenses before depreciation	387,925	151,108	539,033	579,951
Depreciation	-0-	3,047	3,047	2,896
Total expenses	\$ 387,925	\$ 154,155	\$ 542,080	\$ 582,847

See Independent Accountants' Review Report
See accompanying Notes to Financial Statements.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 206,819	\$ 149,235
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,047	2,896
Unrealized gain on investments	(126,903)	(160,288)
Changes in operating assets and liabilities:		
Prepaid expenses	(2,670)	(1,667)
Other assets	1,828	(11,912)
Accounts payable	167,429	8,045
Due to other organizations	(16,991)	(5,150)
Unearned income	(11,499)	22,146
	<u>221,060</u>	<u>3,305</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(1,130)	-0-
Proceeds from note receivable	-0-	9,000
Purchase of investments	(16,864)	(21,905)
	<u>(17,994)</u>	<u>(12,905)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from PPP loan	48,842	-0-
	<u>48,842</u>	<u>-0-</u>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	251,908	(9,600)
Cash and cash equivalents, beginning of year	241,805	251,405
Cash and cash equivalents, end of year	<u>\$ 493,713</u>	<u>\$ 241,805</u>

See Independent Accountants' Review Report
See accompanying Notes to Financial Statements.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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 Conference is supported primarily through mission support from individuals and churches.

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, 2020 and 2019, the Conference had net assets without donor restrictions of \$1,648,757 and \$1,470,959, 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, 2020 and 2019, the Conference had net assets with donor restrictions of \$227,579 and \$198,558, respectively.

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.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

REVENUE RECOGNITION

The Conference's revenue that is accounted for as a reciprocal exchange transaction consists of registrations fees. Revenues are recognized when services are transferred to its attendees, in an amount that reflects the consideration the Conference expects to be entitled to in exchange for those services. The Conference does not have any significant financing components as payment is received typically before or when services are rendered.

Revenue from performance obligations satisfied at a point in time consists of registration fees for conferences, meetings, and training, generally on the date of sale of services are transferred to the attendees.

Variable consideration: The nature of the Conference's business does not give rise to significant variable consideration.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include monies in banks and highly liquid investments with original maturity dates of less than three months.

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. Significant estimates used in the preparation of these financial statements include depreciation and functional expense allocation.

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, 2020 and 2019 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.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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.

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, 2020 and 2019.

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, 2020, all tax positions taken or expected to be taken would more likely than not be sustained under examination.

RECLASSIFICATION

Certain amounts reported in the prior year statement of financial position have been reclassified to conform with current year presentation.

ADOPTION OF NEW ACCOUNTING STANDARD

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers Topic (606)*. The ASU and all subsequently issued clarifying ASU's replaced most existing revenue recognition guidance in U.S GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Conference adopted the new standard effective January 1, 2020, the first day of the Conference's fiscal year using the modified retrospective approach. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. As a result, no cumulative effect adjustment was recorded upon adoption.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

ACCOUNTING STANDARDS NOT YET ADOPTED

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This new standard, which the Conference is not required to adopt until their year ending 2022, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their balance sheet the assets and liabilities for the rights and obligations created by those leases and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's balance sheet.

The Organization is presently evaluating the effects that these ASUs will have on the future financial statements, including related disclosures.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At December 31, 2020 and 2019, the Conference's financial assets available for general expenditures within one year of the statement of financial position date include the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 493,713	\$ 241,805
Accounts receivable	323	323
Notes receivable, net	1,193	1,193
Investments	<u>1,241,677</u>	<u>1,097,910</u>
Total financial assets	1,736,906	1,341,231
Less amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(217,579)	(188,558)
Restricted by donors in perpetuity	(10,000)	(10,000)
Board-designated with purpose restrictions	<u>(1,298,882)</u>	<u>(1,153,917)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 210,445</u>	<u>\$ (11,244)</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.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2020 and 2019 was \$364,290, which includes the fair value of the donated land and other acquisition and demolition costs.

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, 2020 and 2019 are presented as follows:

	December 31, 2020		December 31, 2019	
	Cost	Market Value	Cost	Market Value
Mutual funds and related investments	\$ 900,322	\$ 1,241,677	\$ 883,458	\$ 1,097,910
Total	\$ 900,322	\$ 1,241,677	\$ 883,458	\$ 1,097,910

The Conference has adopted an investment program to help ensure the long-term viability of the organization. At December 31, 2020 and 2019, one investment comprised 100% of the market value of total investments. 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, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2020</u>			
Interest and dividends	\$ 11,235	\$ 1,136	\$ 12,371
Unrealized gains	115,250	11,653	126,903
Investment income (loss), net	\$ 126,485	\$ 12,789	\$ 139,274

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2019</u>			
Interest and dividends	\$ 14,155	\$ 1,414	\$ 15,569
Unrealized gains	<u>145,730</u>	<u>14,558</u>	<u>160,288</u>
Investment income (loss), net	<u><u>\$ 159,885</u></u>	<u><u>\$ 15,972</u></u>	<u><u>\$ 175,857</u></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.

Mutual funds – Mutual funds are valued based on the net asset value (NAV) reported by the fund and supported by audited financial statements. In accordance with ASC 820-10, 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 noted above.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2020 and 2019:

<u>December 31, 2020</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)	\$ 1,241,677	\$ -0-	Monthly	30 - 60 days
 <u>December 31, 2019</u>				
Moderate balanced fund (a)	\$ 1,097,910	\$ -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, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 14,737	\$ 14,737
Furniture and equipment	<u>130,920</u>	<u>132,862</u>
	145,657	147,599
Less accumulated depreciation	<u>132,045</u>	<u>132,070</u>
Property and equipment, net	<u><u>\$ 13,612</u></u>	<u><u>\$ 15,529</u></u>

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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.

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, 2020 and 2019, nonmarketable investments and other assets consist of the following:

	<u>2020</u>	<u>2019</u>
Indiana Interchurch Center Corporation warrant capital	\$ 113,511	\$ 113,511
Indiana Interchurch Center Corporation equity certificate	10,000	10,000
Association assets	<u>83,094</u>	<u>84,922</u>
Total other assets	<u><u>\$ 206,605</u></u>	<u><u>\$ 208,433</u></u>

8. ENDOWMENT

The Conference's endowment consisted of one individual fund, which was established for Our Church's Wider Mission for the Conference. 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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2020 and 2019 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2020</u>			
Donor-restricted endowments	\$ -0-	\$ 10,000	\$ 10,000
Unrestricted, Board-designated	6,312	-0-	6,312
Total endowment funds	\$ 6,312	\$ 10,000	\$ 16,312
<u>December 31, 2019</u>			
Donor-restricted endowments	\$ -0-	\$ 10,000	\$ 10,000
Unrestricted, Board-designated	4,519	-0-	4,519
Total endowment funds	\$ 4,519	\$ 10,000	\$ 14,519

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

Activity in the endowment by net asset class for the years ended December 31, 2020 and 2019 are summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance , January 1, 2019	\$ 2,212	\$ 10,000	\$ 12,212
Investment income:			
Interest and dividends	204	-0-	204
Net gains, realized and unrealized	2,103	-0-	2,103
Total investment income	<u>2,307</u>	<u>-0-</u>	<u>2,307</u>
New gifts	-0-	-0-	-0-
Release of restrictions	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Balance , December 31, 2019	<u>4,519</u>	<u>10,000</u>	<u>14,519</u>
Investment income:			
Interest and dividends	159	-0-	159
Net gains, realized and unrealized	1,634	-0-	1,634
Total investment income (loss)	<u>1,793</u>	<u>-0-</u>	<u>1,793</u>
New gifts	-0-	-0-	-0-
Release of restrictions	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Balance , December 31, 2020	<u>\$ 6,312</u>	<u>\$ 10,000</u>	<u>\$ 16,312</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, 2020 and 2019.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

9. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available as of December 31, 2020 and 2019 for the following purposes:

	<u>2020</u>	<u>2019</u>
Clergy and Lay Education	\$ 97,825	\$ 86,977
Mission and Outreach	48,783	48,783
Pastoral Emergency	14,471	496
Holding Fund	9,312	4,312
Authorized Ministry Scholarship Fund	9,296	8,242
Wesson Fund	5,727	5,078
Widening the Welcome	32,165	34,670
OCWM Endowment	10,000	10,000
	<u>\$ 227,579</u>	<u>\$ 198,558</u>

10. BOARD DESIGNATED NET ASSETS

Board designated net assets are available for the following purposes as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Our Church's Wider Mission Endowment	\$ 6,312	\$ 4,519
Campus Ministries	160,157	145,102
Donald R. Buckthal Development	754,261	665,881
Property	172,838	175,885
Youth Ministries	74,544	66,092
Young Adult Ministries	73,100	64,812
New and emerging ministries	30,000	-0-
Outdoor Ministries	27,670	31,626
	<u>\$ 1,298,882</u>	<u>\$ 1,153,917</u>

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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 2020 and 2019, the credit is equal to 7% of the warrant capital amount of \$113,511. Net rental expense for 2020 and 2019 was \$18,292 and \$19,215, respectively.

Minimum annual rental payments required under the operating lease are \$18,217.

The Conference also leases office equipment from various unrelated parties under noncancelable agreements. For the years ended December 31, 2020 and 2019, lease expense for this equipment was \$2,544 and \$2,544, respectively.

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

<u>Years ended December 31,</u>	
2021	\$ 20,903
2022	2,544
2023	<u>2,544</u>
	<u>\$ 25,991</u>

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.

INDIANA-KENTUCKY CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2020 and 2019, pension expense for eligible participants was \$38,419 and \$46,042, respectively.

14. CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. The operations and business results of the Organization could be materially adversely affected. The extent to which the coronavirus (or any other disease or epidemic) may impact the Organization will depend on future developments. These future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

Due to the pandemic, the Organization applied for and received a Paycheck Protection Program (PPP) loan of \$48,842 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. If the Organization meets all the required obligations during the PPP forgiveness period, the loan will be forgiven under the CARES Act. The unforgiven portion of the loan, if any, will be required to be paid back, including 1% interest.

15. SUBSEQUENT EVENTS

In accordance with ASC Topic 855, *Subsequent Events*, Indiana-Kentucky Conference of the United Church of Christ has evaluated subsequent events through May 28, 2021, 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, 2020

	Balance January 1, 2020	Revenues	Expenses	Release of Restrictions	Balance December 31, 2020
Net assets without donor restrictions:					
Operating	\$ 317,042	\$ 550,056	\$ 517,223	\$ -0-	\$ 349,875
Board-designated net assets:					
Our Church's Wider Mission Endowment	4,519	1,793	-0-	-0-	6,312
Campus Ministries	145,102	18,555	3,500	-0-	160,157
Donald R. Buckthal Development	665,881	94,910	6,530	-0-	754,261
Property	175,885	-0-	3,047	-0-	172,838
Youth Ministries	66,092	8,452	-0-	-0-	74,544
Young Adult Ministries	64,812	8,288	-0-	-0-	73,100
New and emerging ministries	-0-	30,000	-0-	-0-	30,000
Outdoor Ministries	31,626	4,044	8,000	-0-	27,670
Total Board-designated net assets	1,153,917	166,042	21,077	-0-	1,298,882
Total net assets without donor restrictions	1,470,959	716,098	538,300	-0-	1,648,757
Net assets with donor restrictions:					
Clergy and Lay Education	86,977	11,123	275	-0-	97,825
Mission and Outreach	48,783	-0-	-0-	-0-	48,783
Pastoral Emergency	496	14,975	1,000	-0-	14,471
Holding Fund	4,312	5,000	-0-	-0-	9,312
Authorized Ministry Scholarship Fund	8,242	1,054	-0-	-0-	9,296
Wesson Fund	5,078	649	-0-	-0-	5,727
Widening the Welcome	34,670	-0-	2,505	-0-	32,165
OCWM Endowment	10,000	-0-	-0-	-0-	10,000
Total net assets with donor restrictions	198,558	32,801	3,780	-0-	227,579
Total net assets	\$ 1,669,517	\$ 748,899	\$ 542,080	\$ -0-	\$ 1,876,336