

**Offering Circular**  
**IN Loan & Savings Ministry, LLC**

8401 Fishers Center Drive  
 Fishers, IN 46038  
 (317) 788-7879  
 Toll-free 877-391-8811

**\$26,000,000**

**Certificates of Participation and Demand Accounts**

This offering circular describes the certificates of participation and demand accounts being offered by IN Loan & Savings Ministry, LLC, an Indiana limited liability company (the “**Loan Fund**”), the sole member of which is the United Methodist Foundation of Indiana, Inc., an Indiana nonprofit corporation. We are offering up to \$26,000,000 in certificates of participation and demand accounts to:

- persons who are members of, contributors to, or participants in a United Methodist or other Wesleyan-based church, and who live in the States of Hawaii, Illinois, Indiana, Kentucky, Michigan, Ohio and Texas (we may also sell certificates of participation in limited circumstances to residents of Florida and North Carolina),
- persons who are ancestors of, descendants of, or successors in interest to such persons residing in such states, and
- United Methodist or other Wesleyan-based churches, agencies or organizational units in these states.

The certificates of participation and demand accounts will be general unsecured obligations of the Loan Fund and will be payable solely out of certain of our revenues and assets.

Type of Investment	Minimum Investment	Maturity Date	Interest Rate*	Interest Payments
Certificates of Participation	\$1,000	One year	4.50% (1)	(1) At your option, - paid quarterly or annually, - paid monthly, if your account is \$10,000 or more - reinvested annually (2) Interest added at maturity (3) Interest added 12 months after issue date and at maturity
		Three years	4.75% (1)	
		Five years	4.85% (1)	
		Six months	2.75% (2)	
		Nine months	3.00% (2)	
		Eighteen months	4.60% (3)	
IRA Certificates of Participation	\$1,000	Three years	4.75%	Reinvested annually
Demand Accounts	\$25	Payable upon our receipt of written request for withdrawal	Variable, currently 2.50%	Reinvested quarterly
IRA Demand Accounts	\$25	Payable upon our receipt of written request for withdrawal	Variable, currently 2.50%	Reinvested quarterly

\*Interest rates are as of the date of this offering circular. We will periodically adjust interest rates for new Certificates of Participation and for new and existing Demand Accounts.

We estimate the net proceeds of the offering will be \$25,985,000 after paying estimated offering expenses of approximately \$15,000. We will use the net proceeds of this offering to make loans to United Methodist or other Wesleyan-based churches, agencies or organizational units in the States of Illinois, Indiana, and Kentucky for purchasing, constructing, expanding and refinancing churches and other facilities and, in certain circumstances, to finance their operating costs. No underwriters or broker-dealers are participating in this offering, and we will not pay any discounts or commissions. We have paid or will pay from our working capital all expenses relating to this offering and the issuance of Certificates of Participation and Demand Accounts.

**Your purchases of certificates of participation or a demand account are subject to certain risks, which you should carefully consider before making a decision to purchase. See “Risk Factors” beginning on page 5 of this offering circular.**

The date of this offering circular is May 1, 2023.

**THESE SECURITIES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR JURISDICTIONS IN WHICH THEY ARE OFFERED OR SOLD BY US. WE HAVE FILED THIS OFFERING CIRCULAR WITH THE SECURITIES ADMINISTRATORS IN SUCH STATES OR JURISDICTIONS THAT REQUIRE IT FOR REGISTRATION OR EXEMPTION.**

**THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 3(A)(4) OF THE SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.**

**THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THESE SECURITIES, OR APPROVED, DISAPPROVED OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR OWN EXAMINATION OF IN LOAN & SAVINGS MINISTRY, LLC AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS, AND RISKS INVOLVED.**

**THE SECURITIES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, ANY STATE BANK INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE SECURITIES IS DEPENDENT UPON OUR FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW OUR FINANCIAL STATEMENTS, WHICH WE WILL FURNISH AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE SECURITIES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, THE UNITED METHODIST CHURCH, OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE UNITED METHODIST CHURCH.**

**WE HAVE NOT AUTHORIZED ANY PERSON TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR, AND IF SUCH INFORMATION OR REPRESENTATION IS GIVEN OR MADE, YOU SHOULD NOT RELY ON IT AS HAVING BEEN MADE BY IN LOAN & SAVINGS MINISTRY, LLC.**

**YOU ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF THE SECURITIES DESCRIBED IN THIS OFFERING CIRCULAR THAT WOULD BE APPROPRIATE FOR YOU IN RELATION TO YOUR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.**

**Indiana Residents:**

**THESE ARE SPECULATIVE SECURITIES. THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO THE SECURITIES OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**Florida Residents:**

Any sale made in Florida is voidable by the purchaser in such sale either within three (3) days after the first tender of consideration is made by such purchaser to the issuer, an agent of the issuer or an escrow agent, or within three (3) days after the availability of the foregoing privilege is communicated to such purchaser through the delivery of this Offering Circular, whichever occurs later.

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**Kentucky Residents:**

These securities are issued pursuant to a claim of exemption from registration under Section KRS 292.400(9) of the Kentucky Securities Act.

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## INTRODUCTION

The Certificates of Participation and Demand Accounts are being offered by IN Loan & Savings Ministry, LLC, which we sometimes refer to in this offering circular as “the Loan Fund,” “we,” “our,” or “us.” We also refer in this offering circular to the historical financial information of our predecessor in interest, IN U.M. Loan & Savings Ministry, Inc., as “our” financial information.

Investment in the Certificates of Participation and Demand Accounts involves risks. See “Risk Factors” beginning on page 5 for risks you should consider before making a decision to invest in the Certificates of Participation and Demand Accounts we are offering. Among other things, you should consider that we are under no obligation to repurchase Certificates of Participation once sold and, other than as set forth in this offering circular, we do not intend to make any repurchases.

We have not authorized any person to give any information or to make any representations to you, other than those contained in this offering circular. If such information or representations are given or made, you should not rely upon such statements as having been authorized by us.

This offering circular is not an offer or a solicitation of an offer to sell to any person in any state or other political jurisdiction in which such an offer or solicitation may not be lawfully made. No underwriters or broker-dealers are participating in this offering, and we will not pay any discounts or commissions.

## SUMMARY

### The Loan Fund

IN Loan & Savings Ministry, LLC (the “**Loan Fund**”) is an Indiana limited liability company that was organized on April 9, 2020. The Loan Fund has a single member, the United Methodist Foundation of Indiana, Inc., an Indiana nonprofit corporation (the “**Foundation**”). The Loan Fund’s predecessor in interest was IN U.M. Loan & Savings Ministry, Inc., an Indiana nonprofit corporation (our “**Predecessor**”), which was organized in 2000 as the North Indiana United Methodist Loan Fund, Inc. In 2003, our Predecessor changed its name to Indiana United Methodist Loan Fund, Inc., and in 2009, change its name again to IN U.M. Loan & Savings Ministry, Inc.

On June 30, 2020, we and our Predecessor merged, and we were the surviving entity in the merger (the “**Reorganization**”). We undertook the Reorganization in the expectation that it will streamline our management and operations. As a result of the Reorganization and by operation of law, we assumed and succeeded to all of the rights, assets, and liabilities of our Predecessor, including all of its loans and other assets and all of its obligations with respect to the outstanding Demand Accounts and Certificates of Participation (as defined below). Prior to the effective time of the Reorganization, we had not engaged in any material business activities and did not hold any material assets or liabilities. The Reorganization did not affect the terms and conditions, including the interest rates and maturity dates, governing the Demand Accounts and Certificates of Participation previously issued by our Predecessor. We continue to qualify as a Church Extension Fund for purposes of the North American Securities Administrators Association Statement of Policy Regarding Church Extension Fund Securities, adopted April 17, 1994 and amended April 18, 2004 (the “**NASAA Policy Statement**”), just as our Predecessor qualified prior to the Reorganization.

Our principal executive offices are located at 8401 Fishers Center Drive, Fishers, IN 46038, and our telephone number is (877) 391-8811.

The Foundation created the Loan Fund to promote the growth and development of the United Methodist Church. We pursue this mission by making first- or second-lien mortgage loans to United Methodist or other Wesleyan-based churches, agencies or organizational units in Illinois, Indiana, and Kentucky for purchasing, constructing, expanding and refinancing churches, parsonages and other facilities and, in certain circumstances, to finance their operating costs. The Loan Fund is financed through donations by the Foundation and through the proceeds of this offering. See “History and Operations of the Loan Fund.”

### Offering

We are offering up to \$26,000,000 in certificates of participation (“**Certificates of Participation**”) and demand accounts (“**Demand Accounts**”) to raise funds that we will use to make loans to borrowers for capital projects. The Federal Deposit Insurance Corporation does not insure our Certificates of Participation and Demand Accounts.

- Certificates of Participation (other than IRA Certificates of Participation) have maturities of one, three or five years, or six, nine, or eighteen months, at your election. The interest rate is fixed for the term of the Certificate. We periodically adjust the interest rates offered on new Certificates of Participation.
- At your option, we will pay interest on Certificates of Participation with maturities of one, three or five years either quarterly or annually, or you may elect to have interest reinvested annually. For Certificates of Participation with maturities of six or nine months, we will pay interest at maturity, and for Certificates of Participation with maturities of eighteen months, we will pay interest twelve months after issuance and at maturity. If you invest more than \$10,000 in a one-, three- or five-year Certificate of Participation, you may elect to have interest paid on a monthly basis.

- We issue IRA Certificates of Participation with maturities of three years only. Interest is reinvested annually. Investors may have the option of requesting periodic distributions as provided by the Internal Revenue Code and regulations.
- Demand Accounts and IRA Demand Accounts are payable upon our receipt of a written request for withdrawal. The interest rate is variable. We periodically adjust the interest rates offered on new and existing deposits to Demand Accounts. Interest is reinvested quarterly. Investors may have the option of requesting periodic distributions from IRA Demand Accounts as provided by the Internal Revenue Code and regulations.

Purchases of Certificates of Participation and Demand Accounts are restricted to (1) persons who are members of, contributors to, or participants in a United Methodist or other Wesleyan-based church, and who live in the States of Hawaii, Illinois, Indiana, Kentucky, Michigan, Ohio, and Texas, (2) persons who are ancestors of, descendants of, or successors in interest to such persons residing in such states, and (3) United Methodist or other Wesleyan-based churches, agencies or organizational units in these states. We may also sell Certificates of Participation in limited circumstances to residents of Florida and North Carolina who are members of, contributors to, or participants in the United Methodist Church or other Wesleyan-based churches, and to their ancestors, descendants or successors in interest who also reside in those states.

We issue IRA Certificates of Participation and IRA Demand Accounts only to custodians for individual retirement accounts set up by eligible Investors pursuant to Section 408 of the Internal Revenue Code. If you request, and we allow, an early withdrawal of all or a portion of an IRA Certificate of Participation prior to the Certificate's maturity date, you will not incur a penalty if the withdrawal is a "normal" distribution under applicable IRS rules. You will incur a penalty, however, for an early withdrawal from an IRA Certificate of Participation that is not a "normal" distribution. See "Description of the Certificates of Participation and Demand Accounts."

### **Risk Factors**

The purchase of Certificates of Participation and Demand Accounts is subject to risks. You should carefully consider the risk factors set forth in the "Risk Factors" section beginning on page 5.

### **Use of Proceeds**

We will add the proceeds from this offering to our general funds and will primarily use them to make first- and second-lien mortgage loans to United Methodist or other Wesleyan-based churches, agencies or organizational units in Illinois, Indiana, and Kentucky to finance capital improvement projects or, in certain circumstances, to finance operating costs. We expect to invest a portion of the proceeds of the offering in marketable interest-bearing securities pending their use for our activities or in furtherance of our policy of maintaining a reasonable degree of liquidity. We will make all investments according to the judgment of our Manager, acting under the supervision of the Foundation's board of directors. No underwriters or broker-dealers are participating in this offering, and we will not pay any discounts or commissions in connection with the sale of the Certificates of Participation and Demand Accounts. See "Use of Proceeds" and "Plan of Distribution."

### **Management**

Our operating agreement authorizes our sole member, the Foundation, to appoint from one to three Managers to manage our business and affairs. The operating agreement also provides that we will initially be managed by a single Manager, Manet Shettle, who served as the President of our Predecessor prior to the Reorganization. Ms. Shettle performs her role as Manager under the supervision of the Foundation's board of directors. Ms. Shettle also serves as President of the Foundation.

Following completion of the Reorganization, our Manager adopted our Predecessor's loan policies and procedures and also established a Loan Committee, consisting of the same members who served on our

Predecessor's Loan Committee at the effective time of the Reorganization, to implement those policies and procedures. A majority of the members of our Loan Committee have experience in the lending industry. See "Description of the Business of the Loan Fund – Lending Activities of the Loan Fund – Loan Committee."

Our officers are responsible for and supervise the Loan Fund's daily operations and affairs. Each officer serves a two-year term. Our officers, whose terms expire on July 1, 2024, are as follows:

<b>Name</b>	<b>Office</b>
Monte Chamberlin	Chair
Jeff Lorentson	Vice Chair
Shalimar Holderly	Secretary
Manet Shettle	President

See "Management."

### **Business Activities of the Loan Fund**

Our only business activities are offering and selling Certificates of Participation and Demand Accounts to investors and lending the net proceeds to eligible borrowers for capital improvement projects. Each loan we make is secured by a first- or second-lien mortgage on the property of the borrower, or other appropriate collateral. We charge interest at a rate greater than we pay to our investors, and we use the differential to pay our operating expenses. Any excess is added to our unrestricted net assets. See "Description of the Business of the Loan Fund."

### **Purchase of the Certificates of Participation and Demand Accounts**

To purchase a Certificate of Participation or open a Demand Account, you should complete the appropriate application, which accompanies this offering circular. Please mail the completed application along with a check payable to IN Loan & Savings Ministry, LLC to the following address:

IN Loan & Savings Ministry, LLC  
8401 Fishers Center Drive  
Fishers, IN 46038  
Attn: Tammy Foster

See "Method of Offering and Withdrawal of Subscription."

## Selected Financial Data

The tables below set forth certain selected financial data with respect to our statements of financial position as of December 31, 2022 and our statements of activities for the fiscal year ended December 31, 2022. Management has compiled this data from our audited financial statements, and it should be read in conjunction with our current audited financial statements, which are found at Exhibit A to this offering circular.

### Summary Balance Sheet Information at December 31, 2022

Cash	\$ 318,686
Investments	\$ 2,746,594
Total net loans receivable (allowance of \$503,381)	\$ 22,997,629
Unsecured loans receivable	None
Loan delinquencies (90 days or more) as a percent of loans receivable	0.002%
Total assets	\$ 26,284,608
Total Demand Accounts and Certificates of Participation payable	\$ 23,555,045
Amount of Demand Accounts and Certificates of Participation redeemed during the fiscal year	\$ 6,738,591
Other long-term debt	\$ -
Net assets	\$ 1,799,875
Change in net assets	\$ 5,097

### Summary Statement of Activities for the Year Ended December 31, 2022

Total interest income	\$ 1,098,038
Total interest expense	\$ 430,804
Total operating expenses	\$ 662,136
Other income (excluding gain on investments)	\$ 27,679
Unrealized gain or (loss) on investments	\$ (171,222)
Capital contribution	\$ -
Excess or (deficit) of operating revenue over expenses	\$ 5,097

## RISK FACTORS

Before investing in the Certificates of Participation and Demand Accounts, you should carefully consider the following risks:

***The Certificates of Participation and Demand Accounts are unsecured general obligations of the Loan Fund.*** Our ability to pay principal and interest on the Certificates of Participation and Demand Accounts will depend entirely upon our financial condition and operations. We are a legal entity separate from the Foundation and the United Methodist Church. Those entities have no obligations with respect to repayment of the Certificates of Participation and Demand Accounts. You will have a claim on the assets of the Loan Fund equal to the claims of all other holders of Certificates of Participation and Demand Accounts that may be issued in the future, and to the claims of all of our unsecured creditors. See “History And Operations Of The Loan Fund.”

***No sinking fund or trust indenture has been or will be established to ensure or secure the repayment of Certificates of Participation or Demand Accounts.*** Because we have not established a sinking fund or trust indenture for repayment, you will be dependent solely upon the financial condition and operations of the Loan



Fund for repayment of principal and interest. See “Description Of The Certificates Of Participation And Demand Accounts.”

***The Certificates of Participation and Demand Accounts are subordinate in ranking and priority in relation to the Loan Fund’s existing and future senior secured indebtedness.*** As of December 31, 2022, we had no secured investment obligations or other secured liabilities, other than a \$3,000,000 revolving line of credit secured by our outstanding loans. The Certificates of Participation and Demand Accounts will be subordinate to amounts due, if any, under this line of credit. As of December 31, 2022, we had \$750,000 in outstanding borrowings under this line of credit. Senior secured indebtedness is limited to 10% of our tangible assets. See “Description Of The Certificates Of Participation And Demand Accounts.”

***If we are unable to continue generating a profit and to maintain positive net assets, we may not be able to repay Certificates of Participation and Demand Accounts when due.*** Our operating revenues have exceeded operating expenses during each fiscal quarter since the fourth quarter of 2006. Our annual operating revenues exceeded annual operating expenses by \$5,097 in 2022, \$21,951 in 2021, and \$133,695 in 2020. As of December 31, 2022, we had positive net assets of \$1,799,875. The continued development of the Loan Fund will depend upon, among other things, our ability to attract and retain investors and to achieve a sufficient margin between the interest rates we pay to investors and the interest rates we earn on loans to borrowers. We believe we maintain sufficient liquid resources, investment assets and a line of credit to meet our obligations when due. However, if we are unable to continue to generate a profit and maintain positive net assets, we may not be able to repay principal and interest on the Certificates of Participation and Demand Accounts when due. Our net assets as of December 31, 2022 were 6.85% of our total assets, which exceeds the regulatory guidelines established by the NASAA Policy Statement, which require net assets to be at least 5% of total assets. See “Management’s Discussion and Analysis.”

***Because no public market exists for the Certificates of Participation and Demand Accounts and none will develop, your ability to transfer your investment will be limited and restricted.*** The Certificates of Participation and Demand Accounts are only transferable, with our consent, to (1) persons who are members of, contributors to, or participants in a United Methodist or other Wesleyan-based church, and who live in Hawaii, Illinois, Indiana, Kentucky, Michigan, Ohio and Texas (and, in limited circumstances, Certificates of Participation may be transferred to such persons who are residents of Florida and North Carolina), (2) persons who are ancestors of, descendants of, or successors in interest to such persons residing in such states, and (3) United Methodist or other Wesleyan-based churches, agencies or organizational units in these states. We may withhold our consent to a proposed transfer if we conclude that the transfer would violate applicable state or federal securities laws. Because of these restrictions, you may not be able to resell any securities that you purchase. While you may request repayment of a Demand Account at any time, there are restrictions on repayment of the Certificates of Participation. You should only purchase a Certificate of Participation if you are able to hold the investment for its full term. See “Description Of The Certificates Of Participation And Demand Accounts.”

***The Loan Fund’s loans are made to affiliated churches and related religious organizations whose ability to repay the loans depends primarily upon the contributions that they receive from their members.*** Almost all of our loans will be made to local United Methodist or other Wesleyan-based churches. The ability of the churches to repay their loans will largely depend upon the contributions they receive from their members. To the extent that a church experiences a reduction in contributions, it may experience difficulty in repaying a loan. Where we deem necessary, we may require a loan to be guaranteed by another organizational unit, such as an annual conference, agency of an annual conference, or a district or church extension society or union. In many instances, however, these guarantors also depend upon contributions as a primary source of their revenues. If borrowers are unable to make payments on their loans, we may not have sufficient sources of cash to repay principal and interest on the Certificates of Participation and Demand Accounts when due. See “Description Of The Business Of The Loan Fund -- Lending Activities of the Loan Fund.”

***The Loan Fund's loan policies are less stringent than those of a typical commercial lender.*** Our relationship to our borrowers and policies with respect to loan delinquencies cannot be compared to that of a normal commercial lender. Recognizing the relationship to our borrowers, our loan eligibility and approval criteria may be more flexible than might be applied by a normal commercial lender. In addition, in view of the relationship to our borrowers, we may be willing to renegotiate the terms of loans and, accordingly, the timing and amount of collections on such loans may be modified. See "Description Of The Business Of The Loan Fund -- Lending Activities of the Loan Fund."

***You will receive no income tax benefits from investing in the Certificates of Participation and Demand Accounts, and you will have to pay taxes on interest earned.*** You will not receive a charitable deduction for your investment in a Certificate of Participation or Demand Account. Except for IRA Certificates of Participation and IRA Demand Accounts, the interest paid or payable on the Certificates of Participation and Demand Accounts will be taxed as ordinary income to you in the year paid or reinvested whether you receive interest or we, at your direction, retain and compound the interest. See "Tax Matters."

***Because the Loan Fund's lending activities are concentrated in Indiana, deterioration in economic conditions in Indiana could affect the ability of borrowers to repay their loans, which would adversely affect the Loan Fund's financial condition.*** The borrowers will be United Methodist or other Wesleyan-based churches, agencies or organizational units in Illinois, Indiana, and Kentucky, with the majority of borrowers being located in Indiana. Periods of economic slowdown or recession, whether general, regional or industry-related, may increase the probability that borrowers will default on their loans, especially if there is an adverse change in the economic climate in the State of Indiana. If delinquency rates are high, we may not have sufficient sources of cash to repay principal and interest on the Certificates of Participation and Demand Accounts when due. See "Description Of The Business Of The Loan Fund -- Lending Activities of the Loan Fund."

***Interest rates will fluctuate.*** You should be aware that if interest rates rise or fall, we are not obligated to redeem any Certificate of Participation prior to its maturity. Further, if interest rates fall, in order to reduce future interest obligations, we may exercise our right to call Certificates of Participation for redemption. We depend to a certain extent on net interest income, which is the difference between income on interest-earning assets, such as loans and investments, and expense on interest-bearing liabilities, such as Certificates of Participation and Demand Accounts. We are exposed to interest rate risk in our core activities of lending to congregations and other ministries and selling Certificates of Participation and Demand Accounts, since assets and liabilities reprice at different times and by different amounts as interest rates change. We are unable to predict changes in market interest rates, which are affected by many factors beyond our control, including inflation, recession, unemployment, money supply, domestic and international events and changes in the United States and other financial markets. Market interest rates began to rise during 2022 after an extended period at historical lows. Starting in March 2022, the Federal Reserve Board ("FRB") began raising the target federal funds rate for the first time in three years and continued with multiple increases throughout 2022. The FRB also signaled the likelihood of additional rate increases throughout 2023. As interest rates have increased, so have competitive pressures on our cost of funds. It is not possible to predict the pace and magnitude of changes in interest rates, or the impact rate changes will have on our results of operations.

***If the Loan Fund's competition offers higher interest rates, the Loan Fund may be unable to retain deposits or repay investors upon request.*** Interest rates on various commercial and money market instruments fluctuate and may sometimes be higher than the rates we pay. If commercial interest rates become significantly higher than those we pay, our investors, including those who may view their investments as a form of stewardship, may seek to withdraw their investments with us and reinvest those funds with our commercial competitors. If that occurs and withdrawal requests increase in a material amount, we may be unable to repay outstanding investment obligations immediately upon request. Our Demand Accounts are payable upon written request by an investor, and our Certificates of Participation mature on a periodic basis (in one, three or five

years, or in six, nine, or eighteen months), but may be withdrawn prior to maturity subject to certain penalties. See “Description Of The Certificates Of Participation And Demand Accounts.”

***The Loan Fund may not be able to maintain liquid assets sufficient to pay principal and interest on Certificates of Participation and Demand Accounts when due.*** It is our policy to maintain liquidity in cash, cash equivalents, and federal and corporate bonds with maturities of less than one year, equal to at least 2.0% of the principal balance of our outstanding investment obligations. We maintain additional investments equal to at least 8.0% of our outstanding investment obligations in certificates of deposit maturing in one to five years. We have available a revolving line of credit of up to \$3,000,000 secured by our outstanding loan balances. We believe that this line of credit, together with our cash and cash equivalents, provides us with sufficient liquidity to pay interest and principal due on Certificates of Participation and Demand Accounts. However, we may elect to revise our existing liquidity policy in the future to lessen the amount of our liquid investments. Such a change may adversely affect our ability to pay accrued interest on Certificates of Participation and Demand Accounts or to repay the principal amount of Certificates of Participation and Demand Accounts presented for payment. See “Description Of The Certificates Of Participation And Demand Accounts -- Financial and Operational Activities of the Loan Fund.”

***Investments subject to market risks.*** Our liquid assets invested in readily marketable securities are subject to various market risks, which may result in losses if market values of investments decline.

***The value of the properties securing loans may not exceed the loan amount, which could result in a loss for the Loan Fund.*** Our loans are secured by first- or second-lien mortgages on the properties purchased, constructed, renovated or refinanced with the funds that we lend, or other appropriate collateral. In many cases, we will not obtain formal appraisals of the secured properties, although we may, in our discretion, obtain an appraisal or have a member of our staff inspect the property. In addition, in most cases the Loan Committee will request and review data regarding the borrower’s plans for the property, construction costs, the value of the property to be used as security, the financial capabilities of the borrower and the borrower’s arrangements for repayment. It is possible that the value of a specific property may be less than estimated. While generally it is our policy to require that the value of property securing a loan exceed the principal amount of the loan, based upon our estimated valuation of the property, it is possible that the loan amount could exceed the value of the property securing it. If we were to foreclose on a property securing a loan, a subsequent purchaser of the foreclosed property may not pay a price equal to or greater than the amount of the loan because the value of the property may be lower than the amount of the loan. This risk generally increases in the event of a foreclosure of a construction loan to build a new church facility since the value of a partially-completed facility will generally be less than the outstanding loan balance. Further, the purchaser of a partially-completed project will likely decrease the purchase price it will pay for the property by the amount of the anticipated remaining construction costs, thus reducing the net proceeds we will receive in the foreclosure. In addition, church properties are generally single purpose facilities and thus have a restricted resale market. We may not be able to recover the full unpaid amount of the loan. See “Description Of The Business Of The Loan Fund – Lending Activities of the Loan Fund.”

***Future changes in federal or state laws may affect our ability to continue to sell the Certificates of Participation and Demand Accounts.*** We are subject to various federal and state laws in connection with the offering of Certificates of Participation and Demand Accounts. Changes in those laws could make it more difficult or costly for us to offer and sell Certificates of Participation and Demand Accounts in the future. Our inability to sell additional Certificates of Participation and Demand Accounts would adversely affect our ability to generate cash for operations. See “Management’s Discussion and Analysis.”

***Deposits are not FDIC insured.*** Because we are not a bank or other type of insured depository financial institution, the Federal Deposit Insurance Corporation does not insure our Certificates of Participation and Demand Accounts. You therefore must depend solely upon the financial condition and operations of the Loan Fund for repayment of principal and interest. See “Summary – Offering.”

***Your purchase may have negative tax consequences to you. You should consult your tax advisor regarding tax considerations.*** If we pay below market interest rates on Certificates of Participation and Demand Accounts, an individual Investor who has, or a husband and wife who together have, invested more than \$250,000 in the aggregate with the Loan Fund may be deemed to receive additional taxable interest under Section 7872 of the Internal Revenue Code. If this applies to you, you should consult your tax advisor regarding the special income tax rules applicable to loans and investments that are greater than \$250,000 in the aggregate. To date we have paid at or above market rates, but market fluctuations could change this. See “Tax Matters.”

***The ongoing novel coronavirus (“COVID-19”) pandemic could adversely affect our business activities, financial condition and results of operations.*** Since the beginning of January 2020, the spread of COVID-19 has significantly disrupted the U.S. economy and world financial markets. This disruption could adversely affect the financial condition of our borrowers, which would likely have an adverse effect on our financial condition as well. The spread of COVID-19, or an outbreak of another highly infectious or contagious disease, could cause donations by the congregations of our borrowers to decrease significantly, which could cause those borrowers to be unable to meet their payment obligations under their loans with us. The spread of COVID-19, or an outbreak of another contagious disease, could also negatively affect the availability of key personnel necessary to conduct our business activities. In either event, the continuing spread of COVID-19 could have a material adverse effect on our business, financial condition, and results of operations.

## **HISTORY AND OPERATIONS OF THE LOAN FUND**

We are an Indiana limited liability company with a single member, the Foundation. We were organized as an Indiana limited liability company on April 9, 2020. Our predecessor-in-interest, IN U.M. Loan & Savings Ministry, Inc., was organized in 2000 as the North Indiana United Methodist Loan Fund, Inc., an Indiana nonprofit corporation. In 2003, our Predecessor changed its name to Indiana United Methodist Loan Fund, Inc., and in 2009, change its name again to IN U.M. Loan & Savings Ministry, Inc. At all times, our Predecessor operated as an affiliate of the Foundation. Our principal executive offices are located at 8401 Fishers Center Drive, Fishers, IN 46038, and our telephone number is (877) 391-8811.

Upon consummation of the Reorganization on June 30, 2020, we and our Predecessor merged and we were the surviving entity. As a result of the Reorganization and by operation of law, we assumed all of the rights, assets, and liabilities of our Predecessor, including all of its loans and other assets and all of its obligations with respect to the outstanding Demand Accounts and Certificates of Participation. Between April 9, 2020, the date we were organized as an Indiana limited liability company, through the effective time of the Reorganization on June 30, 2020, we did not engage in any material business activities or hold any material assets or liabilities.

The Foundation was formed January 1, 2011 from the merger of the North Indiana United Methodist Foundation, Inc., the United Methodist Foundation of South Indiana, Inc. and the United Methodist Foundation of Indiana, Inc. The Foundation was formed to promote stewardship among the members of the Indiana Annual Conference of the United Methodist Church, and has expanded to include other Wesleyan-based denominations emerging from the United Methodist Church. The Foundation’s activities include the administration of funds on behalf of local churches in the Annual Conference and receiving and holding in trust charitable gifts and devises made by donors, testators or trustors.

The Foundation created the Loan Fund to promote the growth and development of the United Methodist Church by making first- or second-lien mortgage loans to United Methodist or other Wesleyan-based churches, agencies or organizational units in Indiana for purchasing, constructing, expanding and refinancing churches, parsonages and other facilities, and, in certain circumstances, for financing operating costs. This purpose will now encompass any denomination emerging from the United Methodist denomination.

We are financed through the proceeds of our sales of Certificates of Participation and Demand Accounts and, to a lesser extent, through donations by the Foundation. We offer our Certificates of Participation and Demand Accounts to:

- persons who are members of, contributors to, or participants in a United Methodist or other Wesleyan-based church, and who live in the States of Indiana, Illinois, Kentucky, Hawaii and Texas (we may also sell Certificates of Participation in limited circumstances to such persons who are residents of Florida and North Carolina),
- persons who are ancestors of, descendants of, or successors in interest to such persons residing in such states, and
- United Methodist or other Wesleyan-based churches, agencies or organizational units in these states.

The Certificates of Participation and Demand Accounts are general unsecured obligations of the Loan Fund and are payable solely out of certain revenues and assets of the Loan Fund. The Certificates of Participation and Demand Accounts, which provide general obligation financing for the Loan Fund, are not specifically secured by particular loans to specific borrowers.

Our sole member, the Foundation, was organized and operates exclusively for religious purposes and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as a religious organization. We have elected to be disregarded as an entity separate from the Foundation, which means that our activities are treated as those of the Foundation for federal income tax purposes. Accordingly, no portion of our earnings inures or will inure to the benefit of any person, private shareholder or individual.

Our Operating Agreement provides that our business and affairs will be managed by from one to three designated Managers, who will be appointed by the Foundation as our sole member. The Operating Agreement also provides that initially, we will be managed by a single Manager, Manet Shettle. Ms. Shettle operates under the supervision of the Foundation's board of directors. Ms. Shettle also serves as President of the Foundation. See "Management."

## **USE OF PROCEEDS**

We estimate the net proceeds of the offering will be \$25,985,000 after paying estimated offering expenses of approximately \$15,000, which we have paid or will pay from our working capital. We will use the net proceeds to make first- and second-lien mortgage loans, or loans with other appropriate collateral, to United Methodist or other Wesleyan-based churches, agencies or organizational units in Illinois, Indiana, and Kentucky for purchasing, constructing, expanding and refinancing churches and other facilities, and, in certain circumstances, for financing operating costs. We expect to continuously receive applications from prospective borrowers for mortgage loans, and we will make new loans from time to time in conformity with our loan policies. The proceeds of this offering will not be allocated to any specific loan or loans or for any material loan or loans to a single borrower, and the maximum amount we may lend to any one church will be determined by our Manager from time to time. See "Description of the Business of the Loan Fund – Lending Activities of the Loan Fund – Loan Policies."

In the normal course of our operations, we will issue loan commitments based upon the availability of funds.

We expect to invest a portion of the proceeds of the offering in marketable interest-bearing securities pending their use for our activities or in furtherance of our policy of maintaining a reasonable degree of liquidity. We will make all investments according to the judgment of the Loan Committee appointed by our Manager. The Loan Committee operates under the supervision of our Manager and the Foundation's board of directors.

No underwriters or broker-dealers are participating in this offering, and we will not pay any discounts or commissions in connection with the sale of the Certificates of Participation and Demand Accounts. We will sell the Certificates of Participation and Demand Accounts solely through certain officers and employees of the Loan Fund.

## DESCRIPTION OF THE BUSINESS OF THE LOAN FUND

### Financial and Operational Activities of the Loan Fund

Our main sources of cash inflows are the proceeds from the sales of Certificates of Participation and Demand Accounts and payments of interest and principal received on mortgage loans made to borrowers. In addition, we receive income on investments. Each of these sources of funds is described below. We also incur certain expenses in an amount we consider immaterial that are unrelated to the sale of Certificates of Participation. Our ability to repay principal and interest on outstanding deposits depends upon our financial condition and the funds available to us. In prior years, we have been able to meet principal and interest requirements on our outstanding deposits from our available funds.

All of our assets are unrestricted and may be used to make mortgage loans to borrowers for projects, subject to the liquidity and capital maintenance policies established by our Manager from time to time. See “Lending Activities of the Loan Fund.” Information presented below for periods ending before June 30, 2020, the effective date of the Reorganization, relates to the activities of our Predecessor.

*Certificates of Participation and Demand Accounts Payable.* Our primary means of generating funds for lending activities is through the sale of our Certificates of Participation and Demand Accounts. The following chart sets forth the types of deposit obligations that have been sold and incurred as of December 31, 2022:

Description	Balance December 31, 2022
<i>Deposit Obligations:</i>	
Demand Accounts	\$ 3,875,314
Certificates of Participation, 1 year	1,819,973
Certificates of Participation, 3 year	4,665,634
Certificates of Participation, 5 year	5,363,818
Certificates of Participation, 6 month	678,998
Certificates of Participation, 9 month	270,567
Certificates of Participation, 18 month	6,880,741
Total deposit obligations	\$ 23,555,045
<i>Other Obligations:</i>	
Account payable to United Methodist Foundation of Indiana, Inc.	\$ 27,737
Other accounts payable	637
Accrued interest payable	151,314
Total other obligations	179,688
<b>Total all obligations</b>	<b>\$ 24,484,733</b>

*Maturities of Deposits Payable.* The following table shows the maturities of the Demand Accounts and Certificates of Participation payable for each of the next five years. Demand Accounts do not have maturity dates, and the funds held therein may be withdrawn at any time. We believe that we will be able to pay expected redemptions from repayments of loan principal and interest expected to be received for the same periods.

<u>Year</u>	<u>Maturities</u>
2023	\$ 13,679,811
2024	\$ 4,729,648
2025	\$ 2,708,529
2026	\$ 1,965,260
2027	\$ 471,797

*Sales Proceeds and Redemptions.* Annual cash sales proceeds and cash redemptions of our outstanding deposit obligations for each of the last three years are reflected in the following table:

<u>Year</u>	<u>Sales Proceeds</u>	<u>Repayments</u>
2022	\$ 3,059,300	\$ 6,738,591
2021	\$ 4,476,432	\$ 5,387,432
2020	\$ 6,770,101	\$ 7,136,838

*Loans Receivable.* At December 31, 2022, we held 75 mortgage loans with an aggregate principal balance of \$24,434,912. The interest rates on these loans range from 4.00% to 7.25%. See “Lending Activities of the Loan Fund – Loan Delinquencies.”

The following table shows the approximate principal maturities of outstanding mortgage loans receivable, calculated on the basis of regularly scheduled contract payments.

<u>Year</u>	<u>Maturities</u>
2023	\$ 979,289
2024	\$ 92,938
2025	\$ 68,042
2026	\$ 83,676
2027	\$ 24,766
2028 and thereafter	\$ 23,186,201

Loans issued by the Loan Fund may be prepaid without penalty. Accordingly, expected future cash flows may differ from the contractual amounts indicated above.

Our largest loan represented 14.53% of total deposits, or 14.01% of total loans outstanding, at December 31, 2022, and our second largest loan represented 14.06% of total deposits, or 13.56% of total loans outstanding, on that date.

All of the above loans are secured by a first-lien mortgage on real estate, or in some circumstances, by a security interest in an investment account of the debtor, with an estimated value which exceeds the amount of the loan. Generally, we do not loan in excess of 80% of the value of the improved real property or investment account pledged as collateral. In most every case, the collateral pledged is significantly greater than the required minimum.

*Income on Investments.* In accordance with our policy of maintaining reasonable reserves, we may maintain a portion of our assets in investments consisting primarily of marketable interest-bearing securities, which we expect will generate additional income for our operations. Our policy is to maintain assets in an

amount deemed sufficient to meet normal interest payments as accrued and to repay principal amounts on our outstanding investment obligations. We will also maintain reserves sufficient to fund outstanding loan commitments. Our current policy requires us to maintain liquid assets, defined as the aggregate of cash and securities which mature in one year or less, of at least 2.0% of the total principal amount of our outstanding deposit liabilities. We also invest an amount equal to at least 8.0% of our outstanding deposit liabilities in certificates of deposit maturing in one to five years.

### **Lending Activities of the Loan Fund**

*Nature and Types of Loans.* We make first- and second-lien mortgage loans to United Methodist or other Wesleyan-based churches, agencies or organizational units in Illinois, Indiana, and Kentucky for purchasing, constructing, expanding and refinancing churches, parsonages and other facilities, and, in certain circumstances, for financing operating costs.

All loans made by the Loan Fund are interest-bearing loans that are secured by a pledge or mortgage of the property and buildings for which the funds are to be used, or other suitable real estate collateral owned by the borrower. All existing loans are supported by a first-lien mortgage on the collateral, or in some circumstances, by a security interest in an investment account owned by the debtor. In special circumstances, we may consider accepting a second-lien mortgage on collateral. In the case of newly formed congregations, each loan will be secured by a first- or second-lien mortgage on the church's property and will be guaranteed by another organizational unit, such as an annual conference, agency of an annual conference, or a district or church extension society or union. In general, the value of the property securing a loan must exceed the principal amount of the loan, based on a valuation of the property by our Loan Committee.

We determine interest rates by using the current cost of funds plus a margin of at least two percentage points (2%) for costs associated with administering the Loan Fund. Interest rates on these loans vary as a function of market interest rate conditions at the time of the loan and are subject to adjustment periodically throughout the term of the loan. Generally, we offer loans with an amortization of up to 30 years. We offer loans with interest rates that adjust every one, three, five, or ten years. Most loans adjust every three or five years. Our Manager periodically reviews our loan products and may change the products offered.

*Loan Committee.* We will make loans pursuant to the loan policies and procedures adopted by our Manager, which are the same loan policies and procedures previously adopted by our Predecessor prior to the Reorganization. Our Manager has appointed a loan committee (the "**Loan Committee**") that is responsible for implementing these policies and procedures. Our Loan Committee operates under the supervision of the Foundation's board of directors. Its members are Dave Berry, Karla Elliott, Jeff Lorentson, Jim Need, and Margaret Wood, each of whom also serves on the Foundation's board of directors. Our Loan Committee will consider for approval only applications that are made in accordance with our loan policies and procedures, and is authorized to approve loans in excess of \$100,000 (See "Loan Policies" below). We intend that a majority of the members of our Loan Committee will have experience in the lending industry.

*Loan Applications.* We require all prospective borrowers to follow certain procedures in authorizing the capital projects for which they seek financing from us. For United Methodist churches, these procedures are set forth in the Book of Discipline of the United Methodist Church (the "**Book of Discipline**") and in our loan policies and procedures. The Loan Committee will not consider any loan where the prospective borrower has not followed these required procedures.

These procedures require a prospective borrower to submit a completed loan application form; a project description and purpose; a copy of contracts and commitments that have been entered into at that time; for churches, the appropriate consents of church, annual conference and district boards and agencies, if required by the Book of Discipline, and copies of recent Annual Conference Statistical Reports; documentation of the appropriate governmental approvals; recent financial statements and annual conference audit reports; a



description of capital funds drive results, if any such drive was conducted; an environmental audit report of the property to secure the loan, if required by the Loan Committee; organizational documents of the prospective borrower, and any other information, data and materials requested by the Loan Committee.

*Loan Policies.* Our Manager has adopted policies with respect to making loans to borrowers and may modify these policies at any time. These guidelines were previously adopted by our Predecessor and were developed after consulting with other similar loan funds with many years of experience lending to church borrowers. In general, the policies limit the maximum amount we may loan to a borrower based on certain factors, including, but not limited to, the cost of the project, the ratio of the debt service to the borrower's annual revenues and maximum loan amounts per giving unit. The costs of the construction, major improvement or purchase, the value of the property to be used to secure the loan and the financial capability of the applicant to repay the loan are some of the factors the Loan Committee will consider in approving or denying loan applications. Prospective loans meeting all guideline tests may be approved by the staff or by the Loan Committee, operating under the supervision of the Foundation's board of directors, depending upon the size of the loan request. Prospective loans that do not meet guideline tests may be recommended for further consideration by the next level of review. Review and approval levels are as follows:

- our staff, with the President's approval, may approve loans up to \$100,000 with no exceptions to the guideline tests; and
- our Loan Committee may approve loans up to our maximum lending authority.

Borrowers may be required to make certain covenants, such as agreeing to provide cash flow projections over the life of the loan, agreeing not to assume any additional debt during the term of the loan without our consent, and agreeing to pay certain fees and costs related to the loan.

The Loan Committee may approve loans to newly formed congregations that do not comply with its standard loan guidelines. However, all such loans will be secured by a first- or second-lien mortgage on the church's property and will be guaranteed by another organizational unit, such as an annual conference, agency of an annual conference, or a district or church extension society or union.

We sometimes sell on a non-recourse basis participation interests in certain larger loans we originate to reduce our credit risk on those loans to the extent of the participation interest we sell. In these cases, we retain servicing responsibility for the loans in which we sell a participation interest, meaning that the borrower continues to make payments to us, and we distribute a pro rata portion of each payment to the applicable participant. We have had two loans in which we have sold a participation interest, with one of these participation interests currently outstanding. We originated the first loan in 2017 with an original principal balance of \$4,255,835, and sold a 28.2% interest to another United Methodist lending organization during 2017. We originated the second loan in 2019 with a \$3,500,000 line of credit and sold a 34.28% interest to the same United Methodist lending organization. The participation interest in the second loan was repurchased by the Loan Fund in 2021.

*Loan Repayment.* Our Manager has adopted the policies of our Predecessor governing the repayment of loans, which our Manager may modify from time to time. Currently these policies provide for a borrower to repay its loan by making monthly payments, which are applied first to fees, second to accrued interest, and third to outstanding principal. During the construction phase of a project, borrowers are required to pay interest only. Our loan policies do not include prepayments penalties; however, any partial prepayment of principal does not relieve a borrower of its obligation to make subsequent monthly payments as scheduled. We charge a late fee on loan payments received ten days after the due date.

*Material Loans to a Single Borrower.* To manage our risks, we generally limit loans to a single borrower to an amount that does not exceed 18% of our total deposits, although our Manager may grant exceptions in

unusual circumstances. We have not made any loans that exceed this limit to date, however. At December 31, 2022, our largest loan represented 14.53% of total deposits, or 14.01% of total loans outstanding, and our second largest loan represented 14.06% of total deposits, or 13.56% of total loans outstanding.

*Loan Delinquencies.* The following table shows the number, past due amount, and principal balance of loans that have been delinquent for 90 days or more as of December 31 of the following years:

<b>Year</b>	<b>Number of Loans</b>	<b>Past Due Amount</b>	<b>Principal Balance</b>
2022	1	\$448	\$24,766
2021	None	None	None
2020	None	None	None

We have not written off any loans since the Loan Fund’s inception but, due to recent economic circumstances and the inherent risk of lending, we have established an allowance for possible loan losses. At December 31, 2022, our allowance for loan losses was \$503,381. Our goal is to work with our borrowers to help them repay their loans with us and to avoid foreclosures. These efforts include, but are not limited to, consulting with borrowers to improve their fund-raising, financial management, and church growth, and working with the governing body of the borrower to establish revised terms of repayment. We believe that these efforts distinguish us from our commercial lender competitors, although we may not be able or willing to continue these policies in the future. To date, we have only eight loans that have required slight loan modifications. Each of these loans is currently performing in accordance with its modified terms, including one loan on which we reduced the interest rate to 0.00% to accommodate the borrower during a difficult financial period.

### **Investing Activities of the Loan Fund**

We maintain a portion of our assets in investments in accordance with our policy of maintaining reasonable liquidity to meet investor withdrawal requests. It is our policy to maintain liquidity in a minimum amount of 10% of the Loan Fund’s outstanding deposit obligations. This required 10% reserve is allocated 20% to cash, cash equivalents, and federal and corporate bonds with maturities of less than one year. The remaining 80% of this reserve is invested in insured certificates of deposit maturing in one to five years. Our investment policy describes the types of securities in which our liquidity reserve may be invested and the authority of our staff to buy and sell securities on our behalf. We may also invest in money market accounts funds awaiting disbursement as loan proceeds.

Our investments consist solely of readily marketable securities comprised of cash equivalents, money market mutual funds, and certificates of deposit. For this purpose, cash equivalents consist of liquid investments with original maturities of three months or less.

As of December 31, 2022, our investments were as follows:

<b>Description</b>	<b>Weighted Average Rate of Return</b>	<b>Market Value</b>	<b>Percent of Total Invested Funds</b>
Cash Equivalents	3.49%	\$ 189,796	6.91%
Certificates of Deposit	1.74%	\$ 2,556,798	93.09%
Total	2.33%	\$ 2,746,594	100.00%

These investments, together with cash on hand of \$318,686 at December 31, 2022, represented 13.01% of our deposit obligations as of that date. See “Management’s Discussion and Analysis – Liquidity.”

Our Manager adopted a Statement of Investment Policy following the Reorganization that is the same as the Statement of Investment Policy originally adopted by our Predecessor in February 2002, which it revised in October 2011. This policy restricts our permissible investments to the following:

Cash Equivalents-

- U. S. Treasury bills
- Money market funds
- Short-term investment funds
- Commercial paper
- Banker’s acceptances
- Repurchase agreements
- Certificates of deposit

Fixed Income Securities (Maximum Maturity 10 Years, Preferred Target Average Five Years)-

- US Government Securities
- Corporate notes and bonds (AA or AAA rated only)
- Certificates of deposit

Prohibited Assets-

- Equity securities
- Commodities and futures contracts
- Private placements
- Limited partnerships
- Venture capital investments

Prohibited Transactions-

- Short selling
- Margin transactions

All of our investments at December 31, 2022 comply with our Statement of Investment Policy.

The following table shows net realized and unrealized gains (losses) on our invested funds for the last three years:

<b>Year</b>	<b>Realized Gains (Losses)</b>	<b>Unrealized Gains (Losses)</b>	<b>Aggregate Gains (Losses)</b>
2022	-	\$ (171,222)	\$ (171,222)
2021	-	\$ (80,542)	\$ (80,542)
2020	-	\$ 37,144	\$ 37,144

All unrealized gains and losses result from changes in market value of publicly traded certificates of deposit held (because of changing market interest rates). We normally expect to hold those certificates of deposit to maturity. In such case, the certificates would mature at face value and unrealized gains and losses would not become realized.

**Competition**

We compete with a wide variety of financial institutions, investment companies and other financial companies that offer products in which investors in our Certificates of Participation and Demand Accounts may choose to invest. For example, many banks, savings associations and credit unions offer certificates of deposit or savings accounts that may be attractive investments for some investors because they have higher interest rates, are insured by the Federal Deposit Insurance Corporation or have other favorable terms. Other investors

may be more interested in riskier investments, such as corporate bonds, equity securities and mutual funds. Accordingly, there are infinite investment opportunities available to prospective investors that may from time to time offer more attractive rates of interest or more security than our Certificates of Participation and Demand Accounts.

However, our Certificates of Participation and Demand Accounts may be distinguishable from the universe of alternative investment vehicles by one of our primary purposes and goals: to make loans solely for purchasing, constructing, expanding and refinancing churches, parsonages and other facilities associated with the United Methodist Church and other Wesleyan-based churches in the States of Illinois, Indiana, or Kentucky. We limit the availability of investment accounts to those persons who are associated with a United Methodist or other Wesleyan-based church. Although investors may reside in any of the states identified in this offering circular, they generally will have some affiliation with a United Methodist or other Wesleyan-based church or agency in the State of Indiana. Some potential investors may have affiliations with Methodist-based churches or agencies in other states or geographic regions; therefore, we may compete to some extent with other church extension funds affiliated with the Methodist-based denominations. While there are several other nationwide religious denominations or organizations that solicit funds for purposes similar to ours, those other denominations or organizations generally limit their solicitations to members of their own denomination or organization. Thus, we do not perceive those groups as being direct competitors of the Loan Fund.

### **Property**

We do not own any real property.

### **Employees**

We employ two full-time employees. In addition, several employees of the Foundation provide services to the Loan Fund, which reimburses the Foundation periodically for the value of those services.

### **Material Contracts**

We are not a party to any material contracts that, if terminated, would materially affect our business.

## SELECTED FINANCIAL DATA

The tables below set forth certain selected financial data with respect to our statements of financial position and our statements of activities for the most recent five fiscal years. Management has compiled this data from our audited financial statements and, for periods ending prior to June 30, 2020, the audited financial statements of our Predecessor. You should read this information together with our current audited financial statements, which are included as **Exhibit A** to this offering circular.

### Summary Balance Sheet Information at December 31,

Description	2022	2021	2020	2019	2018
Cash	\$ 318,686	\$ 214,627	\$ 269,517	\$ 814,258	\$ 417,130
Investments	\$ 2,746,594	\$ 6,370,175	\$ 5,787,521	\$ 3,314,269	\$ 5,118,722
Total net loans receivable (allowance of \$503,381, \$502,743, \$500,000, \$500,000, and \$500,000, respectively, for 2021, 2020, 2019, 2018 and 2017)	\$22,997,629	\$22,448,069	\$23,897,338	\$ 26,156,203	\$ 26,872,702
Unsecured loans receivable	None	None	None	None	None
Loan delinquencies (90 days or more) as a percent of loans receivable	0.002%	None	None	None	None
Total assets	\$ 26,284,608	\$ 29,277,739	\$ 30,175,149	\$ 30,484,821	\$ 32,571,608
Total Demand Accounts and Certificates of Participation payable	\$ 23,555,045	\$ 27,234,336	\$ 28,145,336	\$ 28,512,073	\$ 30,828,339
Amount of Demand Accounts and Certificates of Participation redeemed during the fiscal year	\$ 6,738,591	\$ 5,387,432	\$ 7,136,838	\$ 9,068,784	\$ 8,166,155
Other long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -
Net assets	\$ 1,799,875	\$ 1,794,778	\$ 1,772,827	\$ 1,639,132	\$ 1,465,097
Change in net assets	\$ 5,097	\$ 21,951	\$ 133,695	\$ 174,035	\$ 78,007

### Summary Statement of Activities for Years Ended December 31,

Description	2022	2021	2020	2019	2018
Total interest income	\$ 1,098,038	\$ 1,110,049	\$ 1,250,824	\$ 1,260,549	\$ 1,354,677
Total interest expense	\$ 430,804	\$ 536,569	\$ 676,891	\$ 677,202	\$ 749,575
Total operating expenses	\$ 662,136	\$ 551,529	\$ 440,238	\$ 409,312	\$ 527,095
Other income (excluding gain or (loss) on investments)	\$ 27,679	\$ 3,750	\$ 2,250	\$ 5,625	\$ 7,200
Unrealized gain or (loss) on investments	\$ (171,222)	\$ (80,542)	\$ 37,144	\$ 107,545	\$ (40,708)
Capital contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Excess or (deficit) of operating revenue over expenses	\$ 5,097	\$ 21,951	\$ 133,695	\$ 174,035	\$ 78,007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

We began offering Certificates of Participation and Demand Accounts to the public in 2002. After incurring losses during our first several years of operations, we have earned positive operating income during each quarter since the fourth quarter of 2006. During 2009, we fully recovered the operating deficit we accumulated during our startup period, and we have ended each year since then with a positive net asset balance. Information presented below for periods ending before June 30, 2020, the effective date of the Reorganization, relates to the activities of our Predecessor.

The following is a summary of our operating income during each year in the five-year period ended December 31, 2022:

Year	Income (loss) from operations	Unrealized gain (loss) on investments	Total income (loss)
2022	\$ 176,319	\$ (171,222)	\$ 5,097
2021	\$ 102,493	\$ (80,542)	\$ 21,951
2020	\$ 96,551	\$ 37,144	\$ 133,695
2019	\$ 66,490	\$ 107,545	\$ 174,035
2018	\$ 118,715	\$ (40,708)	\$ 78,007

*Source of Funds for Deposit Redemption.* Historically, interest and principal payments on our deposits have been made primarily from the amounts received as principal and interest payments on outstanding loans. We anticipate that we will continue to experience similar results in the future. To date, repayments of loans receivable have been sufficient to fund redemptions of deposit accounts.

*Capital Adequacy.* As of December 31, 2022, we had positive net assets of \$1,799,875, constituting 6.85% of our total assets. This exceeds the minimum requirement in the regulatory guidelines established by the NASAA Policy Statement, which requires net assets to be 5% of total assets.

*Liquidity.* We maintain sufficient liquid resources, investment assets, and a line of credit to provide funds necessary to pay anticipated interest and redemptions to depositors. We maintain operating liquidity to provide for cash requirements for the next twelve months as well as a liquidity reserve in a minimum amount of 10% of the outstanding deposit obligations. At December 31, 2022, cash, cash equivalents and readily marketable assets had a market value equal to 13.01% of the outstanding deposit obligations, as shown in the following chart.

Description	At December 31, 2022
Cash	\$ 318,686
Investments	\$ 2,746,594
Subtotal	\$ 3,065,280
Line of credit	\$ 2,250,000
Total liquidity	\$ 5,315,280
Total deposits	\$ 23,555,045
Cash assets (excluding line of credit) as a percent of deposits	13.01%
Total liquid assets (including line of credit) as a percent of deposits	22.57%

In 2009, we established a revolving line of credit through a larger United Methodist foundation that is secured by the Loan Fund's book of loans. Under this line of credit, we may borrow up to \$3.0 million. In 2022, we accessed this line of credit for the first time. In January 2023, the outstanding balance on this line of credit was paid off. As of the date of this offering circular, there is no outstanding balance on this line of credit. We believe that this line of credit, together with our cash and cash equivalents, provide us with sufficient liquidity to pay interest and principal due on Certificates of Participation and Demand Accounts.

*Cash Flow.* The amount of available cash from principal repayments from our loan portfolio historically has met the demand for redemption of Certificates of Participation. Generally, withdrawal activity from Demand Accounts has historically been funded from deposits to these same type accounts. The following chart shows our cash flow during each year in the three-year period ended December 31, 2022.

	2022	As of December 31, 2021	2020
<b>Available cash</b>			
Cash provided by operations	\$ 131,189	\$ 72,780	\$ (761)
Liquid assets at beginning of year-			
Cash	214,627	269,517	814,258
Cash equivalents	3,486,820	2,998,570	659,627
Readily marketable securities	2,883,355	2,788,951	2,654,642
Loan principal repayments received	2,719,453	3,664,034	6,398,465
Less: Loan disbursements	(3,269,651)	(2,217,508)	(4,139,600)
Sale of notes (additional deposits)	3,059,300	4,476,432	6,770,101
Total Available Cash	\$ 9,225,093	\$ 12,052,776	\$ 13,156,732
<b>Redemptions</b>			
Cash redemption of notes during the fiscal year	\$ 6,738,591	\$ 5,387,432	\$ 7,136,838
<b>Ratio of available cash to redemptions</b>	136.90%	223.72%	184.35%

*Loan Delinquencies.* At December 31, 2022, we had one loan receivable with payments over 90 days past due, with a past due amount of \$448 and a principal balance of \$24,766.

*Operating Trends.* We strive to manage our operations to provide interest income sufficient to fund our interest expense on our deposit obligations and our operating expenses. We have earned positive operating income during each quarter since the last quarter of 2006. We have achieved a positive change in net assets for each of the last five fiscal years.

*Future Plans and Activities.* We have adopted, and expect to maintain, policies and procedures that are intended to allow us to adjust readily to fluctuating economic conditions.

These policies and procedures are intended to maintain a balance between our short-term and long-term invested funds so as to achieve a reasonable and prudent position of liquidity. These policies are also intended to allow us greater flexibility in times of significant inflation and fluctuating interest rates. We will also

continue to strive to match the average maturity of our deposit obligations with the average maturity of our loans receivable. You should note, however, that changes in federal or state laws could make it more difficult or costly for us to offer and sell Certificates of Participation and Demand Accounts in the future which would adversely affect our ability to generate cash for operations and maintain liquidity.

Although we anticipate operating under the above policies and guidelines, we cannot assure you that all these policies and guidelines will continue as stated. We may need to adopt new policies and guidelines or modify or eliminate existing policies and guidelines to maintain our flexibility to operate within ever changing economic conditions, maintain our financial stability and continue serving the needs of our depositors and United Methodist or other Wesleyan-based churches and agencies in Illinois, Indiana, and Kentucky.

*Forward-looking Statements.* This Management's Discussion and Analysis contains forward-looking statements which state management's expectations and projections for future results. We cannot assure you that the predicted outcome will occur. Various factors will affect whether we will be able to achieve the projected results. Some of these factors are discussed in the "Risk Factors" section beginning on page 5 of this offering circular.

## **DESCRIPTION OF THE CERTIFICATES OF PARTICIPATION AND DEMAND ACCOUNTS**

### **Certificates of Participation**

You may purchase a Certificate of Participation with a minimum investment of \$1,000. A Certificate of Participation represents a general unsecured deposit with the Loan Fund that matures in one, three or five years, or in six, nine or eighteen months from the date of issue, as elected by you at the time of deposit. At least 30 days before the maturity date of a Certificate of Participation, we will send you written notice of the pending maturity of your Certificate of Participation and, if not previously sent to you, the most current version of this offering circular. You may elect to receive payment in full or, subject to our continued offering, to reinvest principal and any accrued interest (if you have previously elected to reinvest interest on your Certificates of Participation) for another term equal in length to the term of the maturing Certificate. We will pay interest on the renewed Certificate of Participation at the applicable rate then in effect for the renewal term. If you notify us in writing on or prior to the maturity date that you elect not to extend or renew the Certificate, we will promptly repay to you upon maturity the principal and interest accrued thereon.

From time to time, our Manager will determine the interest rate offered on new Certificates of Participation. The interest rate will be based in part on changes in broader interest rates and changes in the financial markets. The interest rate for a particular Certificate of Participation will be fixed for the term of the Certificate at the applicable rate being offered at the time the Certificate of Participation is purchased or renewed. Our Manager will periodically evaluate the interest rates paid by financial institutions to determine competitive rates to depositors and change the rate paid on new Certificates of Participation when deemed necessary. Our objective is to earn a sufficient margin between the interest earned on loans and the interest paid on Certificates of Deposit.



An Investor may request early withdrawal of all or a portion of his or her Certificate prior to the Certificate’s maturity date. Unless the withdrawal is the result of the death of the depositor, there will be a penalty for early withdrawal on the portion withdrawn as follows:

**Early Withdrawal Penalty**

<u>Term of Certificate</u>	<u>of interest earned up to a maximum of</u>
One year	Three months’ interest
Three years	Six months’ interest
Five years	Six months’ interest
Six months	Three months’ interest
Nine months	Three months’ interest
Eighteen months	Three months’ interest

We will not issue physical certificates to investors who purchase Certificates of Participation. We will maintain a separate account for each investor to record the initial investment, additional investments, withdrawals, interest accruals and interest payments.

*IRA Certificates of Participation.* We only issue IRA Certificates of Participation to custodians for individual retirement accounts established by investors pursuant to Section 408 of the Internal Revenue Code. The IRA Certificates of Participation have three-year terms. If you request, and we allow, an early withdrawal of all or a portion of an IRA Certificate of Participation prior to the Certificate’s maturity date, you will not incur a penalty if the withdrawal is not subject to additional tax under Section 72(t) of the Internal Revenue Code (a “normal” distribution). This includes a distribution for a disability, which is a “normal” distribution for this purpose. You will incur a penalty, however, for an early withdrawal from an IRA Certificate of Participation that is not a “normal” distribution. You should consult your tax advisor before investing in, or requesting an early withdrawal from, an IRA Certificate of Participation.

**Demand Accounts**

Churches, agencies and individuals may also invest in Demand Accounts, except that we currently do not offer Demand Accounts to residents of Florida or North Carolina. Our Demand Accounts typically pay a lower interest rate than our Certificates of Participation. Any church, agency or person eligible to invest in a Certificate of Participation (excluding residents of Florida or North Carolina) may invest \$25 or more in a Demand Account. The value of a Demand Account at any point in time is the amount the depositor has invested in the Demand Account previously, less any withdrawals, plus any accrued but unpaid interest on the periodic balance of funds in the Demand Account. Investments or withdrawals generally are made by mailing to us a check in the amount of the investment or a request for a withdrawal. We will usually process the transaction on the day of receipt of investment or request for withdrawal. There is no penalty for participants to make withdrawals from Demand Accounts.

We will not issue physical certificates to investors who open Demand Accounts. We will maintain a separate account for each investor to record the initial investment, additional investments, withdrawals, interest accruals and interest payments.

*IRA Demand Accounts.* We only issue IRA Demand Accounts to custodians for individual retirement accounts established by investors pursuant to Section 408 of the Internal Revenue Code.

## Interest

As of the date of this offering circular, the interest rate for all Demand Accounts and new Certificates of Participation offered by this offering circular are as follows:

Demand Accounts	2.50%
IRA Demand Accounts	2.50%
One-year Certificates of Participation	4.50%
Three-year Certificates of Participation	4.75%
Five-year Certificates of Participation	4.85%
Six-month Certificates of Participation	2.75%
Nine-month Certificates of Participation	3.00%
Eighteen-month Certificates of Participation	4.60%
IRA Three-year Certificates of Participation	4.75%

We will periodically evaluate these interest rates and may change them as we deem necessary. In addition, rates of interest upon Certificates of Participation and Demand Accounts offered in the future may vary from time to time depending upon economic conditions.

At your option, we will pay interest on Certificates of Participations with maturities of one, three or five years either quarterly or annually or you may elect to have interest reinvested annually. If you invest more than \$10,000 in a Certificate of Participation, you may elect to have interest paid on a monthly basis. For Certificates of Participation with maturities of six or nine months, we will pay interest at maturity and for Certificates of Participation with maturities of 18 months, we will pay interest 12 months after issuance and at maturity.

Interest on IRA Certificates of Participation will be reinvested annually. However, you may have the option of requesting periodic distributions as provided by the Internal Revenue Code and regulations.

Interest earned on Demand Accounts will be added to the accounts quarterly. Investors in IRA Demand Accounts may have the option of requesting periodic distributions as provided by the Internal Revenue Code and regulations.

Interest on any Certificate of Participation or Demand Account is subject to federal income tax. See "Tax Matters."

We will send a written statement quarterly to each investor showing the principal and interest balance of each Demand Account. We will send each investor in a one-, three- or five-year Certificate of Participation an annual statement of the account at the annual anniversary of the purchase of the Certificate.

## Transfer

The Certificates of Participation and Demand Accounts are transferable only with our consent when a transfer request is presented to us. We may withhold our consent to a proposed transfer if we conclude that the transfer would violate applicable state or federal securities laws. Transfers are permitted only to:

- persons who are members of, contributors to or participants in a United Methodist or other Wesleyan-based church, and who live in the States of Hawaii, Illinois, Indiana, Kentucky, Michigan, Ohio, and Texas (and, in limited circumstances, Certificates of Participation may be transferred to residents of Florida and North Carolina ),
- persons who are ancestors, descendants, or successors in interest to such persons and residing in such states, and

- United Methodist or other Wesleyan-based churches, agencies or organizational units in these states.

### **No Trust Indenture or Sinking Fund**

The Certificates of Participation and Demand Accounts are not issued pursuant to any trust indenture. There also is no appointed indenture trustee or other agent to represent the interests of investors.

### **No Priority**

The Certificates of Participation and Demand Accounts represent unsecured indebtedness of the Loan Fund. Investors do not have an equity interest in the Loan Fund and have no right to vote on matters brought before our Manager. In effect, our investors are unsecured creditors of the Loan Fund, entitled to an equal claim upon our assets with all of our other unsecured creditors.

### **Repayment of Certificates of Participation and Demand Accounts; Prepayment**

*Demand Accounts.* You may request repayment of principal or any accrued interest on a Demand Account at any time, without penalty, by mailing a request for withdrawal to the Loan Fund at 8401 Fishers Center Drive, Fishers, IN 46038.

*Certificates of Participation (Other than IRA Certificates of Participation).* If you, prior to the maturity date, request repayment of principal or any accrued interest on a Certificate of Participation, we will repay the entire principal amount promptly and assess a prepayment penalty, which will be deducted from the repayment of the principal and will pay interest which has accrued since the last interest payment date. The prepayment penalty will be interest earned up to a maximum of three months' interest for a Certificate of Participation with an initial maturity date of eighteen or fewer months and six months' interest for a three-year or five-year Certificate of Participation. You may mail a request for withdrawal to the Loan Fund at 8401 Fishers Center Drive, Fishers, IN 46038.

*IRA Certificates of Participation.* If you request, and we allow, an early withdrawal of all or a portion of an IRA Certificate of Participation prior to the Certificate's maturity date, you will not incur a penalty if the withdrawal is not subject to additional tax under Section 72(t) of the Internal Revenue Code (a "normal" distribution). This includes a distribution for a disability, which is a "normal" distribution for this purpose. You will incur a penalty, however, for an early withdrawal from an IRA Certificate of Participation that is not a "normal" distribution. You should consult your tax advisor before requesting an early withdrawal. You may mail a request for withdrawal to the Loan Fund at 8401 Fishers Center Drive, Fishers, IN 46038.

### **Annual Reports**

Current audited financial statements will be made available to any investor upon written request. We will also mail audited financial statements, prepared as of the end of the preceding fiscal year, to each investor within 120 days following the close of such fiscal year.

## **TAX MATTERS**

The following is a summary of tax issues you should consider before purchasing a Certificate of Participation or Demand Account. The summary is not complete. You should consult your tax advisor for further information.

You will not receive a charitable deduction for the purchase of Certificates of Participation and Demand Accounts. Except for IRA Certificates of Participation and IRA Demand Accounts, the interest paid on the Certificates of Participation and Demand Accounts is taxable as ordinary income to an Investor in the year paid or accrued. Even though the interest may not be actually paid to you because you have chosen to have the

interest accrue and earn interest (*i.e.*, compounded), the accrued interest is taxable as ordinary income in the year in which it is accrued.

If an IRA Certificate of Participation or IRA Demand Account is not rolled over and is paid out before you reach age 59 ½, you may incur a 10% penalty tax on the taxable portion of the distribution. There are exceptions to this general rule, and they include distributions due to death or disability and distributions needed to pay medical or unemployed health insurance costs.

If we pay below the market interest, an individual Investor who has, or a husband and wife who together have, invested more than \$250,000 in the aggregate with the Loan Fund may be deemed to receive additional taxable interest under Section 7872 of the Internal Revenue Code. If this applies to you, you should consult your tax advisor regarding the special income tax rules applicable to loans and investments that are greater than \$250,000 in the aggregate.

We will notify you of interest earned on Certificates of Participation and Demand Accounts by sending you IRS Form 1099 or a substitute form by January 31 of each year, in accordance with IRS rules.

You should be careful to provide us with a correct Social Security number or other appropriate tax identification number. We must deduct, withhold, and pay over to the Internal Revenue Service, a backup withholding tax equal to 28% of any reportable payments due to an Investor if the Internal Revenue Service notifies us that the Social Security number or other tax identification number you furnish to us is incorrect.

## MANAGEMENT

### Manager

Pursuant to our operating agreement, our affairs are managed by from one to three Managers designated by our sole member, the Foundation. Our operating agreement also provides that initially, Manet Shettle will serve as our sole Manager. Accordingly, Ms. Shettle, as our sole Manager, manages our business and affairs, subject to the supervision of the Foundation's board of directors.

Our Manager has adopted the same loan policies and procedures that were used by our Predecessor, and has also established the Loan Committee to oversee the implementation of these loan policies and procedures. A majority of the members of our Loan Committee have experience in the lending industry.

### Foundation Board of Directors

As noted above, our Manager operates under the supervision of the Foundation's board of directors. Each member of the Foundation's board of directors holds office for a term of three years. The terms are staggered so that the terms of approximately one-third of the directors expire each year, except for the term of Larry Whitehead, who serves an indefinite term as determined by the Bishop of the Indiana Area of the United Methodist Church, as well as Heidi Harding and David Robinson who represent the Indiana Conference of the United Methodist Church as non-voting members. The number of terms a director may serve is limited to three, three-year terms. The directors receive no compensation for their services.

Below is certain biographical information with respect to the directors:

*Dave Berry*, age 54, is Director of Finance at Franklin Water Treatment. Prior to this position, he worked as the Director of Finance at Hill-Rom Corporation for over 15 years. Term expires July 1, 2024.

*Monte Chamberlin*, Age 66, is a business consultant and for the past 10 years has been the owner of Cost Stewardship, Inc., serving all business sectors including over 500 faith-based clients. Term Expires July 1, 2025.

*John Clay*, age 66, has owned JBC & Associates, an insurance agency in Warsaw, Indiana, since 2000. Term Expires July 1, 2023.

*Teri Crouse*, age 61, is an ordained Elder in the United Methodist Church (Indiana Annual Conference), currently appointed to High Street United Methodist Church in Muncie, Indiana. Prior to entering ministry, Rev. Crouse practiced law in the pharmaceutical industry. Term Expires July 1, 2025.

*Karla Elliot*, age 52, is a local pastor in the United Methodist Church, currently appointed to Carmel St. Mark's UMC. Prior to entering ministry, she had been employed for 20 years as CEO and General Counsel for Eagle Adjusting Services in Noblesville, and also worked in private law practice for 9 years. Term expires July 1, 2023.

*Daryl Gilbert*, age 68, is an ordained Elder in the United Methodist Church (Indiana Annual Conference) and is currently appointed to Osceola UMC. Term expires July 1, 2025.

*Shalimar Holderly*, age 44, has been an ordained Elder in the United Methodist Church (Indiana Annual Conference) since 2004, and is currently appointed to Avilla Calvary UMC. Term Expires July 1, 2023.

*Shelley Johnson*, Age 60, is the managing member of Allman Johnson Company LLC, an Indianapolis based CPA firm. She has owned the firm since 2010 and has worked in public accounting since 1990. Term Expires July 1, 2025.

*Chris Lantz*, age 38, is an ordained Elder in the United Methodist Church (Indiana Annual Conference) and is currently appointed to Evangelical UMC in Huntington. Term expires July 1, 2025.

*Jeff Lorentson*, age 59, is the Chief Risk Officer for First Merchants Corporation for whom he was worked for over 10 years. Term expires July 1, 2023.

*James Need*, age 79, retired as Community Bank President of Regions Bank, Frankfort, Indiana branch. He had been with Community Bank of Regions Bank, Frankfort, Indiana branch for 39 years. Term expires July 1, 2025.

*Larry Price*, age 74, worked at Edward Jones for 33 years as a limited partner. Term Expires July 1, 2023.

*Larna Spearman*, age 77, has been the owner and Chief Executive Officer of Spearman Group Indianapolis, LLC since 2007. Term expires July 1, 2024.

*Lee White*, age 62, is the Chief Executive Officer of Secured Site Services. He had been Vice President of Commercial Sales for Bosma Enterprises, a nonprofit that serves blind and visually impaired adults in Indiana. He served in this position from 2018 to 2021, and prior to that worked for 18 years as Vice President of National Accounts at Mainscape. Term Expires July 1, 2023.

*Larry Whitehead*, Age 70, is an ordained elder of the United Methodist Church and is an ex-officio member of the Foundation's board of directors as the representative of the Bishop of the Indiana Area of the United Methodist Church.

*Craig Wood*, Age 68, is a semi-retired farmer from Westfield, Indiana. The current farming operation includes freezer meat (beef and pork) and hay. Term Expires July 1, 2025.

*Margaret Wood*, age 60, is the retired Chief Financial Officer for Arbor Homes, where she worked for 27 years. Prior to that position, she worked 9 years for SC Bodner, a commercial real estate developer, and spent 4 years in public accounting. Term expires July 1, 2025.

*Manet Shettle*, age 61, is the President of the Foundation and President and sole Manager of the Loan Fund. She served as President of our Predecessor from 2009 until the Reorganization on June 30, 2020, and has served as our President and sole Manager since then. She is also a non-voting member of the Foundation's board of directors. Mrs. Shettle has been a certified public accountant for over 35 years.

*Heidi Harding*, age 48, is the Treasurer for the Indiana Annual Conference of the United Methodist Church. She is a non-voting member of the Foundation's board of directors.

*David Robinson*, age 57, is the Chief Financial Officer and Director of Administration for the Indiana Annual Conference of the United Methodist Church. Prior to joining the Conference he served as Chief Financial Officer of the Episcopal Diocese of Southern Ohio for ten years. He is a non-voting member of the Foundation's board of directors.

#### Officers

Our officers are responsible for and supervise the Loan Fund's daily operations and affairs. Each officer serves a two-year term. Our current officers, whose terms will expire on July 1, 2023, are as follows:

<b>Name</b>	<b>Office</b>
Monte Chamberlin	Chair
Jeff Lorentson	Vice Chair
Shalimar Holderly	Secretary
Manet Shettle	President

For information regarding the principal occupations of these officers, see the biographical information included in the list of directors. None of the officers will be employed full-time by the Loan Fund; however, Mrs. Shettle is a full-time employee of the Foundation, which is an affiliate of the Loan Fund. Each of the officers will devote sufficient time to fulfill his or her duties and obligations to the Loan Fund.

None of the officers will receive any compensation from the Loan Fund. No officer has a material employment contract with the Loan Fund. Mrs. Shettle will receive compensation from the Foundation, of which she is the President. There have been no material transactions, nor are there any proposed transactions or other conflicts of interest between us and any director or officer of the Loan Fund or Foundation.

No officer or director has, during the past ten years, been convicted of any criminal matter (other than for traffic violations and other minor misdemeanors) or has been the subject of any order, judgment, or decree of any court enjoining such person from any activities associated with the offer or sale of Certificates of Participation and Demand Accounts.

#### **LITIGATION AND OTHER INFORMATION**

As of the date of this offering circular, there are no suits, actions, or other legal proceedings or claims pending against the Loan Fund or any of our officers or directors.

#### **PLAN OF DISTRIBUTION**

We will offer the Certificates of Participation and Demand Accounts for sale through the distribution of the offering circular to prospective investors. We may advertise the Certificates of Participation and Demand Accounts in regional United Methodist publications. Any such advertisement will include a statement that the

advertisement itself is neither an offer to sell nor a solicitation of offers to purchase Certifications of Participation or Demand Accounts, and that such offers or solicitations may be made only through this offering circular. On occasion the offering circular will be distributed at United Methodist meetings, generally those held on a conference-wide or district-wide basis. When the opportunity arises, the Foundation staff, our Manager, or members of the Foundation's board of directors may speak with regard to the nature and purpose of our work. No funds will be accepted for the purchase of a Certificate of Participation or a Demand Account, nor will any security be issued, until we first have received an executed application from the investor. See "Method of Offering and Withdrawal of Subscriptions."

There are no underwriting or selling agreements, and no commissions, direct or indirect, or other remuneration will be paid to any individual or organization in connection with the offer and sale of the Certificates of Participation and Demand Accounts. We will offer and sell the Certificates of Participation and Demand Accounts only through our officers and employees.

We have paid or will pay all expenses relating to this offering and the issuance of Certificates of Participation and Demand Accounts from working capital. We expect such expenses to be approximately \$15,000.

## **METHOD OF OFFERING AND WITHDRAWAL OF SUBSCRIPTION**

### **How to Purchase Certificates of Participation and Demand Accounts**

You may purchase a Certificate of Participation or open a Demand Account by completing, respectively, an Application to Purchase Certificate of Participation or Demand Account Application, each of which accompanies this offering circular. Please mail the completed application along with a check payable to IN Loan & Savings Ministry, LLC to the following address:

IN Loan & Savings Ministry, LLC  
8401 Fishers Center Drive  
Fishers, IN 46038  
Attn: Tammy Foster

The Certificates of Participation and Demand Accounts will be sold for cash, at face value, and we will offer no financing terms for any purchase of a Certificate of Participation or Demand Account. Certificates of Participation and Demand Accounts will be issued only upon payment by you in cash of the full purchase price of the Certificates of Participation and/or Demand Accounts that you acquire.

### **Restricted Offering**

The offer and sale of the Certificates of Participation and Demand Accounts is restricted solely to:

- persons who are members of, contributors to, or participants in a United Methodist or other Wesleyan-based church, and who live in the States of Hawaii, Illinois, Indiana, Kentucky, Michigan, Ohio or Texas (we may also sell Certificates of Participation in limited circumstances to residents of Florida and North Carolina),
- persons who are ancestors of, descendants of, or successors in interest to such persons residing in such states, and
- United Methodist or other Wesleyan-based churches, agencies or organizational units in these states.

### **Withdrawal of Subscription**

We reserve the right at any time to withdraw all or any part of the Certificates of Participation and Demand Accounts we are offering by this offering circular without notice and to reject any subscription for such

Certificates of Participation or Demand Accounts. There is no minimum amount which must be raised, and if the entire amount of the offering is not needed for the purposes intended, the offering may be withdrawn and the acceptance of subscriptions suspended.

## LEGAL MATTERS

Legal matters in connection with the Certificates of Participation and Demand Accounts and in connection with this offering have been passed upon by Quarles & Brady LLP, Indianapolis, Indiana. In connection therewith, Quarles & Brady LLP has given its legal opinion to the effect that all of the Certificates of Participation and Demand Accounts to be issued pursuant to this offering will be legal, valid and binding obligations of the Loan Fund.

## EXPERTS

The audited Statement of Financial Position of the Loan Fund as of December 31, 2022, 2021, and 2020 and the related Statements of Activities and Cash Flows for the year then ended included in this offering circular have been audited by Blue & Co., LLC, Indianapolis, Indiana.

## ADDITIONAL INFORMATION

We have filed certain documents with the appropriate agencies of various states, including:

- a registration statement with respect to the Certificates of Participation and Demand Accounts offered by this offering circular, filed in the office of the State of Indiana Securities Division. This registration statement includes certain exhibits only summarized or alluded to in this offering circular, and these additional documents are available for inspection at the offices of the Division during regular business hours.

This offering circular does not contain all the information that has been filed with states, but that information is made part of this offering circular and may be inspected in the offices of the regulatory bodies of those states.

**Indiana Residents: THESE ARE SPECULATIVE SECURITIES. THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO THE SECURITIES OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

Except as indicated in this offering circular, this offering circular speaks as of the date on its front cover.



**Exhibit A**

# **IN Loan & Savings Ministry, LLC**



**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

*CPAs / ADVISORS*



**IN LOAN & SAVINGS MINISTRY, LLC**

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DECEMBER 31, 2022 AND 2021

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Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204  
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

## REPORT OF INDEPENDENT AUDITORS

Board of Managers  
IN Loan & Savings Ministry, LLC  
Fishers, Indiana

### Opinion

We have audited the accompanying financial statements of IN Loan & Savings Ministry, LLC (the Loan Fund), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Loan Fund as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Loan Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Loan Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Managers  
IN Loan & Savings Ministry, LLC  
Fishers, Indiana

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Loan Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Loan Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Blue & Co., LLC**

Indianapolis, Indiana  
April 13, 2023

**IN LOAN & SAVINGS MINISTRY, LLC**

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

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	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash	\$ 318,686	\$ 214,627
Investments	2,746,594	6,370,175
Mortgage notes receivable, net	22,997,629	22,448,069
Other assets	211,118	242,150
Property and equipment, net	<u>10,581</u>	<u>2,718</u>
Total assets	<u>\$ 26,284,608</u>	<u>\$ 29,277,739</u>
<b>Liabilities</b>		
Deposits	\$ 23,555,045	\$ 27,234,336
Accounts payable and accrued expenses	179,688	248,625
Line of credit	<u>750,000</u>	<u>-0-</u>
Total liabilities	24,484,733	27,482,961
<b>Net assets - without donor restriction</b>	<u>1,799,875</u>	<u>1,794,778</u>
Total liabilities and net assets	<u>\$ 26,284,608</u>	<u>\$ 29,277,739</u>

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See accompanying Notes to Financial Statements.

## IN LOAN & SAVINGS MINISTRY, LLC

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>Change in net assets without donor restriction</b>		
Interest income from		
Mortgage notes receivable	\$ 1,039,763	\$ 1,060,453
Investments	58,912	52,339
	1,098,675	1,112,792
Interest expense on deposits	(430,804)	(536,569)
Net interest income	667,871	576,223
Provision for mortgage notes receivable losses	(638)	(2,743)
Net interest income after provision for mortgage notes receivable losses	667,233	573,480
Noninterest income and expense		
Investment return, net	(171,222)	(80,542)
Other income	27,679	3,750
Contributions	100	100
Salaries and benefits	(176,520)	(178,339)
Administrative fees	(211,618)	(196,734)
Other expense	(129,918)	(97,021)
Grant expense	(637)	(2,743)
Total noninterest income and expense	(662,136)	(551,529)
Change in net assets without donor restriction	5,097	21,951
<b>Net assets</b>		
Beginning of year	1,794,778	1,772,827
End of year	\$ 1,799,875	\$ 1,794,778

See accompanying Notes to Financial Statements.

## IN LOAN & SAVINGS MINISTRY, LLC

### STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>Operating activities</b>		
Change in net assets	\$ 5,097	\$ 21,951
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Provision for mortgage notes receivable losses	638	2,743
Realized and unrealized losses on investments	171,222	80,542
Depreciation	1,577	1,090
Change in operating assets and liabilities		
Other assets	31,032	(22,683)
Accounts payable and accrued expenses	(68,937)	(8,361)
Net cash flows from operating activities	140,629	75,282
<b>Investing activities</b>		
Purchase of property and equipment	(9,440)	(2,502)
Purchase of investments	(896,206)	(2,662,472)
Proceeds from sale and maturity of investments	4,348,565	1,999,276
Advances on mortgage notes receivable	(3,269,651)	(2,217,508)
Payments received on mortgage notes receivable	2,719,453	3,664,034
Net cash flows from investing activities	2,892,721	780,828
<b>Financing activities</b>		
Additions to deposits	3,059,300	4,476,432
Withdrawals from deposits	(6,738,591)	(5,387,432)
Advances on line of credit	750,000	-0-
Net cash flows from financing activities	(2,929,291)	(911,000)
Change in cash	104,059	(54,890)
<b>Cash</b>		
Beginning of year	214,627	269,517
End of year	\$ 318,686	\$ 214,627
<b>Supplemental disclosure of cash flows</b>		
Cash paid for interest	\$ 485,079	\$ 585,967

See accompanying Notes to Financial Statements.



# IN LOAN & SAVINGS MINISTRY, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

IN Loan & Savings Ministry, LLC (the Loan Fund) was founded to receive investments and deposits from United Methodist churches, agencies, and individuals affiliated with United Methodist churches located in the states of Indiana, Illinois, Kentucky, Hawaii, Texas, Florida, and North Carolina. Assets received through these investments and deposits are used to make mortgage-backed loans to United Methodist churches and agencies throughout Indiana.

The Loan Fund, whose sole member is the United Methodist Foundation of Indiana, Inc. (the Foundation), shares facility and support staff with the Foundation and pays the Foundation an administrative fee.

#### Basis of Accounting

The Loan Fund's financial statements are prepared under the accrual method of accounting. Revenue is recorded when performance obligations are satisfied. Expenses are reported when incurred.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash

While the Loan Fund's cash at times may exceed federally insured limits, the Loan Fund has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on these accounts.

#### Investments

Investments include cash (mainly money market deposit accounts), money market mutual funds and certificates of deposit. Money market mutual funds and certificates of deposit are reported at fair value. Realized and unrealized gains and losses are reported in investment return without donor restrictions in the statement of activities and changes in net assets unless a donor or law restricts their use.

# IN LOAN & SAVINGS MINISTRY, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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### Mortgage Notes Receivable

Mortgage notes receivable are stated at the amount of unpaid principal, less an allowance for loan losses, if any, and are collateralized by church buildings and land. Interest is calculated using the simple interest method on the principal amount outstanding, and interest rates on loans are generally subject to review and adjustment every three years. Mortgage notes receivable are restricted to United Methodist churches located in Indiana. The Loan Fund's policy is to place mortgages ninety days past due on nonaccrual status. These amounts were immaterial as of December 31, 2022. There were no such delinquencies as of December 31, 2021.

An allowance for losses on mortgage notes is maintained at a level considered adequate to absorb potential loan losses based on management's review and evaluation of the loans and its judgement as to the impact of current economic conditions on the loans. The evaluation includes consideration of past loan experience and the current volume and condition of loans outstanding. Recognized losses are charged to the allowance and subsequent recoveries are added. Loans are classified as delinquent when payments are thirty days overdue.

### Property, Equipment, and Depreciation

Property and equipment, consisting mainly of furniture and computer equipment, is stated at cost or, if donated, at fair value on the date of the gift. Depreciation is provided on the straight-line method based upon the estimated useful life of the related asset, ranging from three to seven years. The Loan Fund capitalizes expenditures for property and equipment in excess of \$2,500. The following is a summary of property and equipment as of December 31:

	<u>2022</u>	<u>2021</u>
Property and equipment	\$ 26,822	\$ 14,915
Accumulated depreciation	<u>(16,241)</u>	<u>(12,197)</u>
	<u>\$ 10,581</u>	<u>\$ 2,718</u>

### Deposits

The Loan Fund has filed an effective registration statement with the Indiana Securities Division under which it may offer and sell savings accounts and certificates of participation in the State of Indiana. The Loan Fund offers and sells savings accounts and certificates of participation in certain other states pursuant to exemptions from the registration requirements under the securities laws of those states. Certificates earn a fixed rate of interest for their term. Savings accounts are subject to periodic change in interest rates as determined by the Loan Fund. Deposits are not insured nor are fees charged for deposits.

# IN LOAN & SAVINGS MINISTRY, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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### Net Assets and Contributions

Contributions received are recorded as without donor restriction or with donor restriction support depending on the existence and/or nature of any donor restrictions. The Loan Fund recognizes all contributions as income in the period received. All contributions are considered to be without donor restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restriction. When the restriction expires, the net assets are reclassified to net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restriction. There were no net assets with donor restriction as of December 31, 2022 and 2021.

### Income Taxes

The Loan Fund is organized as a limited liability company, whereby net taxable income is taxed directly to the Foundation and not the Loan Fund. Since the Foundation is the sole member of the Loan Fund, the Loan Fund is treated as a disregarded entity under the appropriate code of the Internal Revenue Code. As such, the financial activity of the Loan Fund is included in the Foundation's Federal Form 990 Return of Loan Fund Exempt from Income Tax.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Loan Fund and recognize a tax liability if the Loan Fund has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Loan Fund, and has concluded that as of December 31, 2022 and 2021, there were no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Loan Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### Upcoming Accounting Standards Update

In June 2016, the Financial Accounting Standards Board issued an Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*. This standard, which the Loan Fund is not required to adopt until its year ending December 31, 2023, is intended to improve financial reporting about expected credit losses on financial assets by requiring entities to use the new current expected credit loss approach that will generally result in early recognition of allowances for credit losses. The standard also requires a formal process to estimate current expected credit losses and will require specific, supporting calculations of the allowance for doubtful accounts supported by the formal process. The Loan Fund is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.

### Reclassifications

Certain amounts from the 2021 financial statements were reclassified to the current year presentation. There was no impact to net assets or change in net assets, as previously reported.

# IN LOAN & SAVINGS MINISTRY, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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### Subsequent Events

The Loan Fund evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which was April 13, 2023.

## **2. INVESTMENTS**

Investments consist of:

	2022	2021
Money market deposit accounts	\$ 26,957	\$ 631,140
Money market mutual funds	162,839	2,855,680
Certificates of deposit	2,556,798	2,883,355
	<u>\$ 2,746,594</u>	<u>\$ 6,370,175</u>

## **3. FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Loan Fund has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

## IN LOAN & SAVINGS MINISTRY, LLC

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2022 and 2021.

- *Money market mutual funds:* Valued at the subscription and redemption activity at a \$1 stable net asset value (NAV). However, on a daily basis, the funds are valued at their daily NAV calculated using the amortized cost of the securities.
- *Certificates of deposit:* Valued using pricing models maximizing the use of observable inputs for securities of comparable maturity, quality, and type.

The following tables set forth by level, within the hierarchy, the Loan Fund's assets and liabilities measured at fair value on a recurring basis as of:

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Money market mutual funds	\$ 162,839	\$ -0-	\$ 162,839	\$ -0-
Certificates of deposit - Financial institutions	2,556,798	-0-	2,556,798	-0-
	2,719,637	\$ -0-	\$ 2,719,637	\$ -0-
Money market deposit accounts	26,957			
Total investments	\$ 2,746,594			

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Money market mutual funds	\$ 2,855,680	\$ -0-	\$ 2,855,680	\$ -0-
Certificates of deposit - Financial institutions	2,883,355	-0-	2,883,355	-0-
	5,739,035	\$ -0-	\$ 5,739,035	\$ -0-
Money market deposit accounts	631,140			
Total investments	\$ 6,370,175			

The Loan Fund holds investments, which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

## IN LOAN & SAVINGS MINISTRY, LLC

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

#### 4. MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable as of December 31:

	2022	2021
Mortgage notes receivable	\$ 24,434,912	\$ 23,927,672
Participation interest sold	(933,902)	(976,860)
Allowance for loan losses	(503,381)	(502,743)
	\$ 22,997,629	\$ 22,448,069

Interest rates range from 4.0% to 7.25% with maturity dates through 2052. All mortgage notes receivable are for churches located in Indiana. Mortgage notes receivable that matures in 2023 include maturing notes and lines of credit. Mortgage notes receivable mature as follows:

Year Ending December 31,		
2023	\$	979,289
2024		92,938
2025		68,042
2026		83,676
2027		24,766
Thereafter		23,186,201
		\$ 24,434,912

Allowance for credit losses and recorded investment in financing receivables:

	2022	2021
Allowance for credit losses		
Beginning balance	\$ 502,743	\$ 500,000
Allowance assumed in acquisition	-0-	-0-
Charge-offs	-0-	-0-
Recoveries	-0-	-0-
Provision	638	2,743
	\$ 503,381	\$ 502,743
Allowance for credit losses:		
Collectively evaluated for impairment	\$ 503,381	\$ 502,743
Individually evaluated for impairment	\$ -0-	\$ -0-
Financing receivables:		
Collectively evaluated for impairment	\$ 24,434,912	\$ 23,927,672
Individually evaluated for impairment	\$ -0-	\$ -0-

## IN LOAN & SAVINGS MINISTRY, LLC

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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Age analysis of past due financing receivables as of December 31:

	2022	2021
0-30 days past due	\$ 976	\$ 427
31-60 days past due	449	-0-
Greater than 60 days	898	-0-
	2,323	427
Current	24,432,589	23,927,245
	<u>\$ 24,434,912</u>	<u>\$ 23,927,672</u>

Credit risk profile based on payment activity as of December 31:

	2022	2021
Performing	\$ 24,434,912	\$ 23,927,672
Nonperforming	-0-	-0-
	<u>\$ 24,434,912</u>	<u>\$ 23,927,672</u>

The credit quality indicator is performance determined by delinquency status. Delinquency status is updated monthly. All mortgage notes receivable are considered performing as of December 31, 2022 and 2021.

There were no troubled debt restructurings during 2022 and 2021.

A portion of two mortgage notes receivable (Participation Interests) are held by a financial institution (the Participant) at book value for \$1,200,000 each. The Loan Fund agreed that the Participant will have a pro-rata undivided interest in the related collateral equal to the ratio of the Participant's portion of the loans to the total outstanding loans. The terms of the Participation Interests are the same as the terms for the original loans. The Loan Fund is responsible for the administration of the loans, collection of full payments from the borrowers, and remitting the pro-rata share of the payments to the Participants based upon the ratio of the Participant's portion of the loans to the total outstanding loans.

#### 5. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Loan Fund made commitments to extend mortgage loans. The mortgage loans are secured by real estate. Outstanding commitments represent expected disbursements based on estimated construction costs and may vary based on actual construction costs. The Loan Fund's exposure to credit loss, in the event of nonperformance by the churches to which it has extended commitments, is limited to the amount of the commitment. The Loan Fund controls the credit risk of its commitments through credit approvals and limits.

The Loan Fund approved loans pending disbursement for approximately \$492,000 and \$1,226,000 as of December 31, 2022 and 2021, respectively. Approved loans pending closure as of December 31, 2022 and 2021 were \$57,000 and \$-0-, respectively. Total approved loans were \$549,000 and \$1,226,000 as of December 31, 2022 and 2021, respectively.

## IN LOAN & SAVINGS MINISTRY, LLC

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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The Loan Fund can be subject to litigation arising in the normal course of business. After consultation with legal counsel, it is management's opinion that any matters will be resolved without a material adverse effect on the Loan Fund's financial position or results of activities, changes in net assets, and cash flows.

#### **6. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK**

Accounting principles generally accepted in the United States of America require all entities to disclose certain information about their financial instruments. Specifically, all entities are required to disclose the risk of an accounting loss from a financial instrument. The possibility that a loss may occur from the failure of another party to perform according to the terms of a contract represents credit risk.

The Loan Fund is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments are commitments to extend credit and involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statements of financial position. The contract amounts of those instruments reflect the extent of involvement the Loan Fund has in those particular classes of financial instruments.

The Loan Fund's exposure to credit loss, in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, is represented by the contractual notional amount of those instruments. The Loan Fund uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments are fixed as to the maximum dollar amount that is available to a particular customer. The making of the commitment itself may require the payment of a fee. Not all commitments have the full amount of the approved funds advanced upon execution of the loan, and some do not fully utilize the entire commitment established. Consequently, the total commitment amounts do not necessarily represent future cash requirements.

The creditworthiness of each loan applicant is assessed on a case-by-case basis. The Loan Fund makes loans only to not-for-profit churches that would qualify under Section 501(c)(3) of the Internal Revenue Code as tax-exempt churches. These primarily consist of churches and other related entities of the United Methodist Church in Indiana. The purpose of the loans is to enable churches and other related parties to acquire and develop land, build facilities, or remodel and expand existing facilities, with reasonable financing costs. Currently, 100 percent of loans are secured by a first mortgage on the existing facility or real property. There are no loans secured by either a second mortgage or deposit account. Other credit considerations are represented by the terms of the loan and other credit factors. Currently, the interest rate charged ranges from 4.0% to 7.25%. The Loan Fund maintains a policy to review past due or delinquent statuses based on contractual terms and how recently payments have been received. The Loan Fund maintains a reserve for uncollectible accounts in an amount that is adequate to absorb potential loan losses within the portfolio.



# IN LOAN & SAVINGS MINISTRY, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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Typically, the Loan Fund will not consider a loan for the purpose of constructing a new building until the congregation or other party has met an equity interest in the property to the satisfaction of the Loan Fund, unless there are other unrelated sources of repayment. In most instances, the ability of these churches to repay loans will depend primarily upon the contributions they receive from their constituents. The number of constituents of these churches, and the amount of contributions they receive may fluctuate. Further, the Loan Fund does not only have commercial and/or profit motives, which may affect how it works with its borrowers.

### 7. CONCENTRATION OF CREDIT RISK

The ministry of the Loan Fund is concentrated within the geographic boundaries of Indiana. As of December 31, 2022 and 2021, all of the mortgages approved and 98% of the deposits held are generated within Indiana. While the Loan Fund does not anticipate any material losses as a result of these concentrations, a major disaster, either natural or economic, would pose a risk.

A substantial portion of deposits issued by the Loan Fund are demand instruments or will be maturing within the next year. The Loan Fund has insufficient liquid assets to satisfy repayment of this amount. Management anticipates that a substantial portion of these deposits will be reinvested or rolled over into new certificates of participation with the Loan Fund, as has been the Loan Fund's historical experience.

### 8. DEPOSITS

Deposits consist of as of December 31:

	2022	2021
Savings deposits	\$ 3,875,314	\$ 4,124,281
Certificates of participation	19,679,731	23,110,055
	23,555,045	27,234,336
Accrued interest	151,314	205,589
	<u>\$ 23,706,359</u>	<u>\$ 27,439,925</u>

The Loan Fund had 69 and 77 investors with aggregate balances of \$100,000 or more as of December 31, 2022 and 2021. The balances over \$100,000 are distributed as follows:

	December 31, 2022	
	Number of Investors	Aggregate Balance
Investment account balances		
\$100,000 - \$200,000	51	\$ 6,843,905
\$200,001 - \$300,000	9	2,861,758
Greater than \$300,000	9	3,719,330
	<u>69</u>	<u>\$ 13,424,993</u>

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## IN LOAN & SAVINGS MINISTRY, LLC

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

	December 31, 2021	
	Number of Investors	Aggregate Balance
Investment account balances		
\$100,000 - \$200,000	57	\$ 7,576,104
\$200,001 - \$300,000	10	4,009,901
Greater than \$300,000	10	4,174,060
	77	\$ 15,760,065

Deposits, which bear interest at rates ranging from .7% to 4.75%, mature as follows:

Year Ending <u>December 31.</u>	
2023	\$ 13,679,811
2024	4,729,648
2025	2,708,529
2026	1,965,260
2027	471,797
	\$ 23,555,045

The Loan Fund was indebted to deposits as of December 31:

	2022	2021
Savings deposits	\$ 3,875,315	\$ 4,124,281
Certificates, 6 month	678,998	318,897
Certificates, 9 month	270,567	230,076
Certificates, 1 year	1,819,972	2,134,135
Certificates, 18 month	6,880,741	8,427,640
Certificates, 3 year	4,665,634	5,707,423
Certificates, 5 year	5,363,818	6,291,884
	\$ 23,555,045	\$ 27,234,336

The Loan Fund has geographic restrictions on deposits within the United States limited to the states disclosed at Note 1; however, savings and certificate deposits held by depositors within Indiana were 98% as of December 31, 2022 and 2021.

# IN LOAN & SAVINGS MINISTRY, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### 9. LINE OF CREDIT

The Loan Fund has a line of credit agreement in the amount of \$3,000,000 available with Texas Methodist Foundation. The available line of credit bears interest at prime plus 0.50% which is payable monthly on the outstanding balance. The line of credit has a maturity date of August 2023 and is secured by loans held by the Loan Fund. There were \$750k in borrowings on the line of credit during 2022 and no borrowings or repayments on the line of credit in 2021.

### 10. RELATED PARTY TRANSACTIONS

Related party transactions consist of the following as of December 31:

	2022	2021
Deposits held with related parties:		
Board of directors and officers	\$ 63,840	\$ 93,688
Administrative expenses paid to		
Foundation	\$ 211,618	\$ 196,734
Amount due to (from)		
Foundation	\$ 27,737	\$ 22,650

### 11. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Loan Fund strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess daily cash requirements are invested in certificates of deposit and money market funds. The following table reflects the Loan Fund's financial assets as of December 31, 2022 and 2021, respectively, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date. Amounts not available include certificates of deposit and mortgage notes receivable with maturity dates greater than one year.

	2022	2021
Financial assets		
Cash	\$ 318,686	\$ 214,627
Investments	2,746,594	6,370,175
Mortgage notes receivable, net	22,997,629	22,448,069
Accounts receivable and accrued interest receivable	210,035	241,152
Total financial assets	26,272,944	29,274,023
Financial assets unavailable for general expenditure within one year, due to:		
Investments with liquidity horizons greater than one year	(1,970,000)	(2,320,000)
Mortgage notes receivable, net due after one year	(22,018,340)	(21,467,055)
	(23,988,340)	(23,787,055)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,284,604	\$ 5,486,968

## IN LOAN & SAVINGS MINISTRY, LLC

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

The Loan Fund has a potential source of liquidity through a line of credit of \$3,000,000 (\$2,250,000 of outstanding borrowing capacity) that expires in August 2023.

#### 12. FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Loan Fund. Certain costs such as salaries and benefits, administrative fees and other expenses have been allocated among program expenses and management and general categories based on the actual direct expenditures and cost allocations based upon time spent by the Loan Fund's personnel. Although the methods used were appropriate, alternative methods may provide different results. Fundraising expenses were not significant to the Loan Fund. Expenses are allocated as follows:

	2022		
	Program Expenses	Management & General	Total
Interest expense	\$ 430,804	\$ -0-	\$ 430,804
Provision for mortgage notes receivable losses	638	-0-	638
Salaries and benefits	95,264	81,256	176,520
Administrative fees	42,324	169,294	211,618
Other expenses	117,628	12,290	129,918
Grant expense	637	-0-	637
Total expenses	<u>\$ 687,295</u>	<u>\$ 262,840</u>	<u>\$ 950,135</u>

  

	2021		
	Program Expenses	Management & General	Total
Interest expense	\$ 536,569	\$ -0-	\$ 536,569
Provision for mortgage notes receivable losses	2,743	-0-	2,743
Salaries and benefits	79,146	99,193	178,339
Administrative fees	39,347	157,387	196,734
Other expenses	88,024	8,997	97,021
Grant expense	2,743	-0-	2,743
Total expenses	<u>\$ 748,572</u>	<u>\$ 265,577</u>	<u>\$ 1,014,149</u>