

THE PRESBYTERY OF DETROIT, INC.
(Consolidated)

Financial Statements
Independent Auditor's Report
with Comparative and Supplementary Information
December 31, 2012 and 2011

THE PRESBYTERY OF DETROIT, INC.

Financial Statements Independent Auditor's Report with Supplementary Information December 31, 2012 and 2011

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Independent Auditor's Report

To the Presbytery Board of Trustees
The Presbytery of Detroit, Inc.

We have audited the accompanying statements of The Presbytery of Detroit, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2012 and 2011 and the related statement of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, except for the effects of the unrecorded net book value of capital assets, the depreciation expense and the related entities excluded from the consolidation report as discussed in the preceding paragraph and in Note 1 to the financial statements, the financial statements referred to above present fairly, in all material respects, the financial position of The Presbytery of Detroit, Inc. as of December 31, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A PROFESSIONAL LIMITED LIABILITY COMPANY

Members of Private Companies Practice Section of the American Institute of Certified Public Accountants and Michigan Association of Certified Public Accountants

Independent Auditor's Report
(Continued)

Other Matters

As more fully described in Note 6 to the financial statements, certain capital expenditures were not capitalized or depreciated as assets by The Presbytery of Detroit, Inc. Also, as discussed in Note 1, not all entities under the control of The Presbytery of Detroit are included. Accounting principles generally accepted in the United States of America require that such assets be capitalized and depreciated, and all entities are included in consolidated reporting. The effect of these departures from generally accepted accounting principles on financial position, results of operations, and cash flows has not been determined.

The accompanying additional information on page 14 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Tellis & Company, P. L. L. C.

Detroit, Michigan
August 9, 2013

THE PRESBYTERY OF DETROIT, INC.

Statements of Financial Position As of December 31, 2012 and 2011

Assets		<u>2012</u>	<u>2011</u>
Cash and Cash Equivalents	\$	1,559,117	\$ 1,380,211
Presbyterian Investment Loan Program (Note 2)		522,500	519,732
Investment Securities (Note 3)		15,509,501	14,336,013
Notes Receivable (Note 1)			
Notes Receivable		905,892	1,325,782
Note Receivable from Synod of Covenant		34,000	34,498
Total Notes and Land Contracts Receivable		<u>939,892</u>	<u>1,360,280</u>
Other Assets			
Other Receivables (Note 1)		2,109,005	2,455,645
Store Inventory		11,378	15,535
Prepaid Assets		45,270	55,772
Total Other Assets		<u>2,165,653</u>	<u>2,526,952</u>
Property, Buildings, and Equipment - Net (Notes 5 and 6)		<u>947,917</u>	<u>910,020</u>
Total Assets	\$	<u>21,644,580</u>	\$ <u>21,033,208</u>
Liabilities and Net Assets			
Liabilities:			
Notes Payable to Presbyterian Church (U.S.A.) (Note 1)	\$	2,977,426	\$ 3,458,531
Notes Payable to Synod of Covenant (Note 1)		34,000	34,498
Note Payable - Huntington National Bank (Note 13)		18,076	-
General Mission payable		64,150	53,519
Accrued Liabilities		97,627	91,860
Total Liabilities		<u>3,191,279</u>	<u>3,638,408</u>
Net Assets:			
Unrestricted			
General Operating (Deficit)		(1,691,881)	(1,727,447)
Designated for Long-Term Investment and Other (Note 11)		4,962,844	4,848,667
Designated for Property and Equipment		947,917	910,020
Temporarily Restricted (Note 8 and 9)		1,463,471	1,582,382
Permanently Restricted (Note 8 and 10)		12,770,950	11,781,178
Total Net Assets		<u>18,453,301</u>	<u>17,394,800</u>
Total Liabilities and Net Assets	\$	<u>21,644,580</u>	\$ <u>21,033,208</u>

The accompanying notes are an integral part of these financial statements.

THE PRESBYTERY OF DETROIT, INC.
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2012 and 2011

	Unrestricted							
	General Operating	Designated	Property and Equipment	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Total 2011
Changes in Net assets								
Revenue, gains, and other support	\$ 468,864	\$ -	\$ -	\$ 468,864	\$ -	\$ -	\$ 468,864	\$ 448,421
Per capita apportionments	208,536	-	-	208,536	-	-	208,536	208,536
Presbytery Mission giving	38,472	16,932	-	55,404	-	-	55,404	98,452
Grants	34,241	372,531	-	406,772	-	-	406,772	306,758
Offerings/Donations	1,902,206	(6,905)	-	1,902,206	(55,118)	-	1,847,088	1,816,152
Outdoor ministries	2,000	-	-	(6,905)	(180,703)	19,615	(167,993)	92,715
Other Income (Loss)	-	111,527	-	111,527	131,865	1,215,137	1,458,529	(44,164)
Net realized and unrealized gains	2,231	75,049	-	77,280	-	-	77,280	81,267
Interest and dividends	175,864	29,316	-	205,180	27,176	242,018	474,374	618,466
Endowment income	-	-	-	-	-	-	-	-
Net assets released from restrictions- Satisfaction of program restrictions	529,129	-	-	529,129	(42,131)	(486,998)	-	-
Total revenue, gains, and other support	3,361,543	596,450	-	3,957,993	(118,911)	989,772	4,828,854	3,626,420
Expenses:								
Program expenses (Note 14)	2,369,889	475,729	-	2,845,618	-	-	2,845,618	2,687,773
Management and general (Note 14)	773,845	6,332	95,312	875,489	-	-	875,489	924,463
Fundraising expenses (Note 14)	49,246	-	-	49,246	-	-	49,246	48,518
Total expenses	3,192,980	482,061	95,312	3,770,353	-	-	3,770,353	3,660,754
Increase (Decrease) in Net Assets - Before transfers	168,563	114,389	(95,312)	187,640	(118,911)	989,772	1,058,501	(34,334)
Transfers	(132,997)	(212)	133,209	-	-	-	-	-
Increase (Decrease) in Net Assets	35,566	114,177	37,897	187,640	(118,911)	989,772	1,058,501	(34,334)
Net Assets - January 1,	(1,727,447)	4,848,667	910,020	4,031,240	1,562,382	11,781,178	17,394,800	17,429,134
Net Assets - December 31,	(1,691,881)	4,962,844	947,917	4,216,880	1,463,471	12,770,950	18,453,301	17,394,800

The accompanying notes are an integral part of these financial statements.

THE PRESBYTERY OF DETROIT, INC.
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 1,058,501	\$ (34,334)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	95,312	101,665
Loss on Disposal of Property	-	1,050
Net realized and unrealized (gains) losses on investments	(1,183,532)	146,466
Changes in assets and liabilities:		
(Increase) Decrease in Presbytery causes receivable	420,388	183,992
(Increase) Decrease in other receivables	346,640	(49,725)
(Increase) Decrease in store inventory	4,157	(4,161)
(Increase) Decrease in prepaid assets	10,503	1,232
Increase (Decrease) in general mission payable	10,631	(95,157)
Increase (Decrease) in accrued liabilities	5,766	(6,083)
Net cash provided by (used in) operating activities	<u>768,366</u>	<u>244,945</u>
Cash Flows In Investing Activities		
Net (Purchase) Sales of investment securities	7,276	11,955
Net (Purchases) of property, buildings, and equipment	(133,209)	(63,916)
Proceeds from disposal of equipment	-	8,500
Issuance (Proceeds) from receipt of payment on notes receivables from churches	(481,105)	(228,219)
Issuance (Proceeds) from receipt of payment on land contract receivable	(498)	(1,373)
Net cash provided by (used in) investing activities	<u>(607,536)</u>	<u>(273,053)</u>
Cash Flows In Financing Activities		
Increase (Decrease) in notes payable	<u>18,076</u>	-
Net Increase (Decrease) in Cash and Cash Equivalents	178,906	(28,108)
Cash and Cash Equivalents - Beginning of year	<u>1,380,211</u>	<u>1,408,319</u>
Cash and Cash Equivalents - End of year	\$ <u><u>1,559,117</u></u>	\$ <u><u>1,380,211</u></u>
Supplemental Cash Flow Disclosures		
Cash Paid During the Year for Interest	\$ <u><u>60,168</u></u>	\$ <u><u>68,626</u></u>

The accompanying notes are an integral part of these financial statements.

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

Note 1 - Nature of Operations and Significant Accounting Policies:

The Presbytery of Detroit, Inc. (the "Presbytery") is one of the presbyteries that comprise the Synod of the Covenant, which is a member of the Presbyterian Church (U.S.A.). The Presbytery consolidation policy is to include all entities under its common control. These consolidated financial statements include: the "Presbytery", and "Howell Conference and Nature Center". These consolidated financial statements exclude the following related entity: "The Presbyterian Women". The effect on the consolidated report as of December 31, 2012 has not been determined.

In addition to starting and sustaining new churches in southeastern Michigan, the Presbytery provides program leadership and resources to help meet the educational needs of the churches and also participates in the operation of outdoor ministries (Howell Conference and Nature Center) in southeastern Michigan for use by church groups, school, businesses, and individuals. Funds are expended to develop and support ministries to meet the needs of people served by the Presbytery.

Significant accounting policies are as follows:

The financial statements of the Presbytery have been prepared on the accrual basis of accounting. The Presbytery records transactions based on the nature of the activity as unrestricted, temporarily restricted, or permanently restricted.

Unrestricted Assets - Unrestricted net assets of the Presbytery consist of general operations and programs. Unrestricted designated funds consist of amounts received or receivable that the Presbytery, Council, or Trustees have earmarked for a specific purpose. Unrestricted property and equipment consist of the Presbytery's investment in tangible property.

Gifts of cash or other assets that must be used to acquire long-lived assets initially are reported as restricted support. Absent donor stipulations about how long these long-lived assets must be maintained, the Presbytery reports expirations of donor restrictions when the acquired long-lived assets are placed in service.

Temporarily Restricted Assets - Temporarily restricted assets of the Presbytery consist of amounts received from donors who have specified the time and purpose for which the funds are to be spent. When a donor restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets.

Permanently Restricted Assets - Permanently restricted assets of the Presbytery consist of amounts received from donors who have specified that the principal of the donation is to remain intact for investment purposes. Realized and unrealized gains on these assets are also permanently restricted. Annual earnings on these assets are released to unrestricted or temporarily restricted net assets.

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 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses and changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents - The Presbytery considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Functional Basis and Allocation - Indirect cost have been allocated between the program and support services based on activity-based costing methods. Although the methods of allocation used are considered appropriate other methods could be used that would produce different amounts.

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

Note 1 - Nature of Operations and Significant Accounting Policies: (Continued)

Concentration of Credit Risk Arising From Deposit – The Presbyterian maintain cash balances with different banks. Accounts at each institution are insured by Federal Deposit Insurance Corporation (FDIC). The Presbyterian evaluates the financial institutions with which it deposits funds; however, it may not be practical to insure all cash deposits.

Risks and Uncertainties – The Presbyterian invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to level of risk associated with certain investment securities, it is at least reasonably possible that change in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Notes Receivable and Payable - The Presbyterian Church (U.S.A.) makes loans to various churches within The Presbytery of Detroit, Inc.'s jurisdiction, and the Presbytery cosigns for these loans. Included in notes receivable balance from Presbyterian churches is \$3,305,459 and \$3,781,427 at December 31, 2012 and 2011. Of this amount \$2,977,426 for December 31, 2012 and \$3,458,531 for December 31, 2011 is due on Presbyterian Church (U.S.A.) loans, and \$34,000 and \$34,498 for December 31, 2012 and 2011 is due on Synod of the Covenant loans. Principal and interest payments on these loans are made directly by the churches to the Presbyterian Church (U.S.A.), and include interest rates from 3 percent to 7 percent due at various maturity dates through 2021. Notes receivable are reviewed periodically throughout the year and assessed for collectibility. An allowance for doubtful accounts is set-up once a receivable collectibility is in doubt. The allowance (shown net) is \$55,310 for the year ended December 31, 2012 and \$77,143 as of December 31, 2011.

Other Receivables - This amount represents receivables from participants in the outdoor ministries program and other miscellaneous receivables. The outdoor ministries receivables are stated at their net invoice amounts. An allowance for doubtful accounts is established based on specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made.

Property, Building, and Equipment - Buildings, furniture and fixtures, and equipment are depreciated over their estimated useful lives using the straight-line method. Buildings are depreciated over a 20-year life and furniture and fixtures and equipment are depreciated over lives ranging from 3 to 10 years.

Investment Fees - The investment management fee is allocated pro rata between income and principal activity. The fee related to principal is paid by a reduction in trust principal. The fee related to income is allocated pro rata to the beneficiaries of the income.

Income Tax Status - The Presbytery is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code and did not conduct any unrelated business activities during the calendar year. Therefore, The Presbytery has no provision for federal income taxes in the accompanying financial statements.

Donated Property and Services – The Church records donated property at its estimated market value only. Additionally, the Church members provided volunteer services in many activities of the entity. These volunteers have a significant impact on making the ministry effective. However, the value of those services are not reflected herein inasmuch as the amount of services provided is indeterminable.

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

Note 1 - Nature of Operations and Significant Accounting Policies: (Continued)

Subsequent Events - The Presbytery management has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report, which is the same date the financial statements were available to be issued.

Pension Plan - Certain members of the Presbytery's staff are participants in a pension plan that is administered by the Board of Pensions, which is governed by the Presbyterian Church (U.S.A.). The Presbytery's contributions are calculated as a percentage of eligible wages and are funded as accrued. Pension expense was approximately \$13,051 and \$11,901 for the years ended December 31, 2012 and 2011. While contributions are based on fixed rates, federal laws impose certain contingent liabilities on contributors to multiemployer plans. In the event of withdrawal from the plan and under certain other conditions, a contributor to a multiemployer pension plan may be liable to the plan in accordance with formulas established by law.

Trustee Expenses - These expenses represents non-salaried expenses used to run the day-to-day operation of the Presbytery office.

Note 2 - Investment Loan Program

At December 31, 2012 and 2011, the Presbytery has \$522,500 and \$519,732 in a money market fund with the Presbyterian Church (U.S.A.) Investment Program. Under this program, loans are made to churches for capital investments or improvements. The investments are available for allocation to reduce interest charged on loans to local churches participating in the program. Under, this program the Presbytery is required to maintain a balance of twenty-five percent (25%) of the outstanding balance in liquid assets. The Presbytery is contingently liable for the full amount of the loan outstanding should an individual church default on its loan and the proceeds from the liquidation of the collateral is insufficient to satisfy the outstanding balance. Periodic assessments are made to determine the exposure to the Presbytery for this contingency.

Note 3 - Investment Securities

	<u>2012</u>	<u>2011</u>
The fair market value of securities is as follows:		
Corporate stocks and bonds	\$14,800,341	\$13,342,968
U.S. government obligations	117,165	742,332
Money market securities	<u>591,995</u>	<u>250,713</u>
Total	<u>\$15,509,501</u>	<u>\$14,336,013</u>

Net investment income for the period consist of:

	<u>2012</u>	<u>2011</u>
Net realized and unrealized gains (losses) on investments	\$1,458,529	\$(44,164)
Dividends and Interest	551,654	699,733
Investment fees	<u>(74,027)</u>	<u>(77,802)</u>
Net Investment Income	<u>\$1,936,156</u>	<u>\$ 821,699</u>

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

Note 3 - Fair Value Measurement (Continued)

The Presbytery adopted the Fair Value Measurements of its Investments. This accounting standard establishes a fair value hierarchy that measures the difference market participant assumptions developed based on market data obtained from sources independent of the Presbytery (observable inputs) and the reporting Presbytery's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The Fair Value measurement also include an adjustment for risk if market participants would include one in pricing the related asset or liability, even if the adjustment is difficult to determine. Fair Value further reports and discloses its results on one of the three levels:

Level 1 – Quoted market prices in an active market for the same assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

The Presbytery holds investments in corporate stock and bonds, U.S. government obligations, and Money Market Securities. These investments are based upon quoted prices and determined to be Level 1's for the year ended December 31, 2012.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Stock and bonds	\$14,800,341	\$ -	\$ -	\$14,800,341
U.S. government obligations	117,165	-	-	117,165
Money Market Securities	<u>591,995</u>	<u>-</u>	<u>-</u>	<u>591,995</u>
Totals	<u>\$15,509,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$15,509,501</u>

Note 4 – Advertising Costs

It is the policy of the Presbytery to expense advertising costs as incurred. Advertising costs for the ended December 31, 2012 was \$7,359.

Note 5 – Property, Buildings, and Equipment

Property, buildings, and equipment at December 31, 2012 and 2011 are comprised of the following:

	<u>2012</u>	<u>2011</u>
Camp	\$2,971,225	\$2,862,357
Less accumulated depreciation	<u>2,023,308</u>	<u>1,952,337</u>
Net carrying amount	<u>\$ 947,917</u>	<u>\$ 910,020</u>

As further discussed in Note 6, certain capital expenditures are not recorded as assets by the Presbytery.

Note 6 – Depreciation of Assets

During 1989, Accounting Standards "Accounting For Depreciation of Assets" became effective for all not-for-profit organizations. This statement required the Presbytery to record as assets all capital expenditures since inception, and record depreciation charges each year over their estimated useful lives. Prior to 2010 the Presbytery recorded, as assets, all expenditures of a capital nature since 1983 and was recognizing their cost over the estimated useful lives through depreciation charges. In 2010 the Presbytery removed all of their assets from their books, the remaining properties reported reflects the Camp assets only.

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ending December 31, 2012 and 2011

Note 7 – Leases

The Presbytery rents its office facility from a member church under a thirty-six month lease commencing January 1, 2010 and expiring August 31, 2013, with options of renewal through August 31, 2015. Rent expense, including costs of security, was \$36,791 for 2012 and \$34,936 for 2011. The Presbytery also leases photocopier equipment under an operating lease agreement expiring June, 2015. The lease expense for the year ended December 31, 2012 amounted to \$23,129.

Future minimum lease payments required under all of the leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 61,775
2014	23,748
2015	<u>11,874</u>
Total	<u>\$ 97,397</u>

Note 8 – Net Assets (Endowment Funds)

As described in Notes 9 and 10, the Presbytery has temporarily and permanently restricted net assets. These funds are invested in a common account managed by Comerica Bank according to investment policies determined by the Presbytery. The primary objective of these policies is to outline the investment objective of the Presbytery so that a maximum total rate of return will be realized given a level of risk consistent with the preservation of capital and anticipated future cash flow requirements. This objective is accomplished utilizing a balanced strategy of equities, fixed income securities and cash equivalents in a mix which is conducive to participation in rising markets while allowing for adequate protection in falling markets. Certain investments commonly known as alternatives are generally not allowed in the portfolio.

All of the temporarily and permanently restricted net assets are restricted by the donor whereby only the income may be spent for the purpose stipulated by the donor. The principal of the permanently restricted fund may not be spent below its original amount. The Presbytery has also followed the guideline that the principal amount of the temporarily restricted fund may also not be spent below its original amount.

Expenditures from the funds are dictated by the donor for the stated purpose and amount. Amounts are determined based on the investment performance of the managed Comerica account.

A summary of the activity in the Comerica account for the years ended December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Account balance, beginning of the year	\$14,336,014	\$14,498,018
Contributions	4,534,312	-
Investment gain(loss)	1,782,973	462,725
Distributions	(5,063,441)	(547,285)
Expenses	(80,358)	(77,445)
Account balance, end of year	<u>\$15,509,501</u>	<u>\$14,336,013</u>

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ending December 31, 2012 and 2011

Note 9 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Presbytery of Detroit – Ranney-Balch Fund are available to provide aid to the aged, poor, and/or for the benefit of Christian work among Italian, Negro, and other underprivileged groups within the boundaries specified in this fund.

Howell Conference and Nature's Center – This represents funds contributed by various donors to the Nature Center to help nurture nature creations.

Presbytery of Detroit - Mission Fund represents funds (per capita, shared and directed missions, offerings, etc.) collected from the various church entities on behalf of General Assembly and the Synod. The fund balances as of December 31, 2012 and 2011 reflects excess dollars paid out during this time period than collected. The excess represents a temporary timing difference.

	<u>2012</u>	<u>2011</u>
Ranney-Balch Fund	\$1,466,121	\$1,359,922
Howell Conference and Nature Center	49,325	104,443
Mission Fund	<u>(51,975)</u>	<u>118,017</u>
	<u>\$1,463,471</u>	<u>\$1,582,382</u>

Note 10 – Permanently Restricted Net Assets

Permanently restricted net assets are investments of the following amounts. The income on such investments is specified by the donor to be used for the purposes noted:

	<u>2012</u>	<u>2011</u>
McKay Fund - Provide funding for new Presbyterian churches and Missions within the city of Detroit	\$ 399,787	\$ 372,869
James Joy Fund - Provide funding to support the Fort Street Presbyterian church, and missions of the Presbyterian throughout Michigan		
- Fort Street Presbyterian has a (50%) ownership interest		
- Presbytery of Detroit, Inc. has a (40%) ownership interest		
- And (10%) ownership interest is shared between Lake Michigan, Lake Huron and Mackinaw Presbyterian Churches	11,855,117	10,928,503
Connor Fund - Earnings used to support Fort Street Presbyterian Church	<u>516,046</u>	<u>479,806</u>
Total permanently restricted net assets	<u>\$12,770,950</u>	<u>\$11,781,178</u>

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ending December 31, 2012 and 2011

Note 11 - Designated Net Assets

Certain unrestricted gifts and revenue have been designated for specific purposes by the Presbytery for unique causes sponsored by the Presbytery. The specific purposes are as follows:

	<u>2012</u>	<u>2011</u>
Funds available to provide financial assistance to new and Established churches – Capital Fund	\$ 4,740,367	\$ 4,646,203
Funds designated for Presbytery projects	<u>222,477</u>	<u>202,464</u>
Total designated net assets	<u>\$ 4,962,844</u>	<u>\$ 4,848,667</u>

Note 12 – Transfers

The transfers represent revenue and expense transferred within the unrestricted net assets funds for 2012. These funds were transferred during the year because the Presbytery maintains only one operating checking account.

Note 13 – Note Payable-The Huntington National Bank (Howell)

Note payable with Huntington National Bank, is secured by a vehicle and payable in 72 monthly installments of \$324.97, which includes principal and interest of 6.24% per annum.

The Maturities of the note are as follows:

Years ending December 31:	
2013	\$ 2,621
2014	3,009
2015	3,408
2016	3,627
Thereafter	<u>5,411</u>
	<u>\$18,076</u>

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

Note 14 - Unrestricted Expenses

Unrestricted program and management and general expenses for the year were as follows:

	<u>2012</u>	<u>2011</u>
Program expenses:		
Howell Conference and Nature Center	\$ 1,240,483	\$ 1,214,773
Operations	1,257,430	1,299,000
Self Development of People	11,872	-
Barnabas Center	-	12,764
Clergy in Transition	-	9,620
Cola	12,911	-
Pby Economic Development Corp	7,750	-
Ecumenical Center	29,768	-
Two Cents A Meal	4,750	6,964
Peace Presbytery	9,250	5,000
Habitat for Humanity	47,000	2,708
Multiculturalism	6,998	4,302
Middle East Projects	1,545	-
Helping Hand	750	1,750
NCD 510	8,388	6,000
Park United Roof	9,843	9,700
Fort Street Open Door	42,108	27,380
Hunger Program	10,578	5,250
Katrina	5,889	10,717
Kenya	-	8,400
A Place of Refuge	15,606	13,793
Youth Council	-	5,655
Social Justice	3,000	-
Detroit Inbound Mission	9,877	6,985
Second Mile Center	12,306	8,115
SPE Small Group	-	4,569
Presbyterian Men	13,915	7,931
Campus Ministry	18,975	-
Other Expenses	64,626	16,397
	<u>2,845,618</u>	<u>2,687,773</u>
Total Program Expenses	\$ 2,845,618	\$ 2,687,773
Management and general expenses:		
Trustees (Note 1)	\$ 706,150	\$ 744,996
Depreciation expense	95,312	101,665
Investment fees	74,027	77,802
	<u>875,489</u>	<u>924,463</u>
Total Management and General Expenses	\$ 875,489	\$ 924,463
Fundraising Expense	\$ 49,246	\$ 48,518

Supplementary Information

THE PRESBYTERY OF DETROIT, INC.
 Schedule of Indebtedness of Churches and the Presbytery of Detroit
 to Other Presbyterian Organizations
 For the Year Ended December 31, 2012

Church Name	Loans from General Assembly	Grant Mortgage (Deferred Payment) Loans	Loans from Synod	Presbyterian Investment Loan Program	Loans from Presbytery	Total
Ann Arbor, Calvary	\$ -	5,000 \$	-	-	-	5,000
Ann Arbor, Calvary	-	9,000	-	-	-	9,000
Ann Arbor, Northside	3,717	-	-	-	-	3,717
Auburn Hills	45,676	-	-	-	-	45,676
Barabas Incorporated	-	-	-	-	20,505	20,505
Detroit, St John's	48,362	-	-	-	-	48,362
Dearborn, Cherry Hill	-	28,940	-	-	-	28,940
Dearborn, Littlefield	-	17,083	-	-	-	17,083
Churches of Detroit	-	-	-	-	-	-
Broadstreet	-	20,000	-	-	-	20,000
Calvin East	-	29,050	-	-	-	29,050
Grandale	-	20,000	-	-	-	20,000
Outer Drive	-	21,664	-	-	-	21,664
Trinity Community	-	-	-	-	16,023	16,023
Trinity Community	-	53,787	-	-	-	53,787
Evangelical Center & International Residence	-	-	-	819,967	-	819,967
Farmington, First Presbyterian	-	28,688	-	-	-	28,688
Drayton Plains, Community	-	-	-	-	26,881	26,881
Highland Park, Park United	-	-	-	-	26,881	26,881
Howell, First Presbyterian	-	-	-	493,071	-	493,071
Lake Shore Presbyterian, St. Clair Shores	-	-	-	447,039	-	447,039
Livonia, St. Pauls	-	10,000	-	-	-	10,000
Livonia, St. Timothy's	71,151	-	-	-	-	71,151
Macomb, Church of the Covenant	313,279	240,000	34,000	-	8,109	595,388
New Life Presbyterian	-	-	-	-	4,445	4,445
Northminster Presbyterian, Troy	68,233	-	-	-	-	68,233
Novi, Faith Community	-	-	-	348,928	-	348,928
Pontiac, Joslyn Ave.	-	22,175	-	-	-	22,175
Redford, Village	-	11,418	-	-	-	11,418
South Lyon, First Presbyterian	136,629	-	-	-	-	136,629
Sterling Heights, Utica	42,439	-	-	-	-	42,439
Sterling Heights, Utica	56,068	-	-	-	-	56,068
St. James, Redford	-	-	-	-	4,053	4,053
Waterford Community	82,866	-	-	-	-	82,866
Total Loans - Churches	\$ 868,420	\$ 516,805	\$ 34,000	\$ 2,109,005	\$ 80,016	\$ 3,608,246