

THE PRESBYTERY OF DETROIT, INC.

Financial Statements
Independent Auditor's Report
with Supplementary Information
December 31, 2019 and 2018

THE PRESBYTERY OF DETROIT, INC.

Financial Statements Independent Auditor's Report with Supplementary Information December 31, 2019 and 2018

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Anita R. Tellis, CPA, MST

15 E. Kirby St., Suite 106
Detroit, Michigan 48202
(313) 873-3812
(313) 873-3816 Fax
www.tellisandcompanycpas.com

Independent Auditor's Report

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

We have audited the accompanying financial statements of The Presbytery of Detroit, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 report as 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, 2019 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Presbytery of Detroit, Inc. 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

As more fully described in Note 5 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.

Supplementary Information

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 and Company PLLC

October 27, 2020

THE PRESBYTERY OF DETROIT, INC.

Statements of Financial Position
As of December 31, 2019 and 2018

	Assets	
	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 336,225	\$ 473,508
Presbyterian Investment Loan Program (Note 2)	983,309	731,294
Investment Securities (Notes 3)	23,953,118	20,884,927
Notes Receivable		
Notes Receivable (Note 1)	1,098,496	719,614
Other Assets		
Other Receivables (Note 1)	<u>3,271,212</u>	<u>3,523,237</u>
Total Assets	<u>\$ 29,642,360</u>	<u>\$ 26,332,580</u>

Liabilities and Net Assets

Liabilities:		
Notes Payable to Presbyterian Church (U.S.A.) (Note 1)	\$ 3,858,194	\$ 3,424,421
General Mission payable	10,522	102
Accrued Liabilities	<u>12,814</u>	<u>18,650</u>
Total Liabilities	<u>3,881,530</u>	<u>3,443,173</u>
Net Assets:		
Without Donors Restrictions		
General Operating	155,194	166,912
Designated for Long-Term Investment and Other (Note 11)	6,785,987	6,097,788
With Donors Restrictions		
Purposes Restrictions (Note 9)	2,328,104	2,069,239
Perpetual in nature (Note 10)	<u>16,491,545</u>	<u>14,555,468</u>
Total Net Assets	<u>25,760,830</u>	<u>22,889,407</u>
Total Liabilities and Net Assets	<u>\$ 29,642,360</u>	<u>\$ 26,332,580</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, 2019 and 2018

	Without Donors Restrictions			With Donors Restrictions		Total 2019	Total 2018
	General Operating	Designated	Subtotals	Purposes Restrictions	Perpetual in Nature		
Changes in Net assets							
Revenue, gains, and other support							
Per capita apportionments	\$ 343,059	\$ -	\$ 343,059	\$ -	\$ -	\$ 343,059	\$ 353,166
Presbytery Mission giving	169,644	-	169,644	-	-	169,644	189,711
Grants	6,300	4,500	10,800	-	-	10,800	36,300
Offerings/Donations	4,076	117,882	121,958	9,125	-	131,083	71,617
Other Income (Loss)	102,293	45,578	147,871	53,931	477,359	679,161	101,516
Endowment income	245,853	-	245,853	-	-	245,853	323,925
Endowment distribution (Fort Street, and Other Entities)	-	-	-	-	-	-	557,644
Net assets released from restrictions- Satisfaction of program restrictions	990,090	(122,307)	867,783	(372,242)	(495,541)	-	-
Total revenue, gains, and other support	1,861,315	45,653	1,906,968	(309,186)	(18,182)	1,579,600	1,633,879
Expenses:							
Program expenses	1,197,804	-	1,197,804	-	-	1,197,804	1,501,392
Management and general	687,160	47,469	734,629	-	-	734,629	189,041
Total expenses	1,884,964	47,469	1,932,433	-	-	1,932,433	1,690,433
Increase (Decrease) in Net Assets - Before transfers	(23,649)	(1,816)	(25,465)	(309,186)	(18,182)	(352,833)	(56,554)
Transfers							
In	1	1	2	346,268	-	346,270	-
Out	-	(346,267)	(346,267)	-	-	(346,267)	-
Net	1	(346,266)	(346,265)	346,268	-	3	-
Increase (Decrease) in Net Assets from Operating Activities	(23,648)	(348,082)	(371,730)	37,082	(18,182)	(352,830)	(56,554)
Nonoperating Activities:							
Net realized and unrealized gains	-	612,822	612,822	220,790	1,954,259	2,787,871	(1,807,531)
Sale, Disposal of Fixed Assets	-	423,459	423,459	-	-	423,459	168,375
Interest and dividends	11,930	-	11,930	993	-	12,923	15,777
Change in net assets from nonoperating activities	11,930	1,036,281	1,048,211	221,783	1,954,259	3,224,253	(1,623,379)
Changes in net assets	(11,718)	688,199	676,481	258,865	1,936,077	2,871,423	(1,679,933)
Net Assets - January 1,	166,912	6,097,788	6,264,700	2,069,239	14,555,468	22,889,407	24,474,282
Prior Period Adjustment	-	-	-	-	-	-	95,058
Adjusted net assets - January 1,	166,912	6,097,788	6,264,700	2,069,239	14,555,468	22,889,407	24,569,340
Net Assets - December 31,	\$ 155,194	\$ 6,785,987	\$ 6,941,181	\$ 2,328,104	\$ 16,491,545	\$ 25,760,830	\$ 22,889,407

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

THE PRESBYTERY OF DETROIT, INC.
Statements of Functional Expenses
For the Years Ended December 31, 2019 and 2018

	Program Expenses	Administrative Expenses	2019 Totals	2018 Totals
Salaries and Wages/Housing Allowance	-	349,841	349,841	305,998
Reimbursed Allowance	1,540	52,302	53,842	42,725
Payroll Taxes	-	28,234	28,234	23,573
Employee Benefits	522	104,693	105,215	67,124
Bank Charges	-	275	275	14,857
Background Checks	-	658	658	739
Clergy Support	-	-	-	125
Communication / Publicity	-	528	528	-
Computer - Internet/Website	-	913	913	3,728
Computer - Maintenance/Support	-	11,593	11,593	28,741
Computer - Software	-	1,513	1,513	6,137
Computer - Supplies	-	127	127	23
Copier - Meter Charges	-	2,888	2,888	2,661
Equipment - Lease	-	28,336	28,336	27,007
Equipment - (Minor) Purchase	-	-	-	2,119
Freight and Shipping Charges	-	-	-	187
Gifts and Flowers	-	305	305	300
Advertising Expenses	-	-	-	1,587
Maintenance Repair	-	547	547	755
Meeting Expenses	87	1,529	1,616	1,593
Moderator Training	-	-	-	-
Insurance - General	-	2,439	2,439	7,234
Occupancy	-	49,952	49,952	46,143
Postage Expenses	-	3,636	3,636	3,297
Professional Fees - Audit	-	10,661	10,661	11,960
Professional Fees - consultant	-	5,525	5,525	5,000
Professional Fees - Legal	-	5,755	5,755	15,148
Professional Fees - Payroll	-	3,410	3,410	3,324
Psychological	-	-	-	-
Resource Material	-	-	-	1,244
Supplies - Office	-	6,356	6,356	9,184
Telephone - Expense and Maintenance	-	8,433	8,433	6,415
Travel and Mileages Expenses	4,640	6,753	11,393	1,110
Committee Expenses	-	-	-	11,278
Mission/Ministries/Support	201,038	-	201,038	248,294
PC USA Grants	5,000	-	5,000	27,500
Designated Projects (ECO)	61,493	47,427	108,920	60,461
2018 Faith in Action Mission Fund	319,860	-	319,860	29,604
Endowment Distributions	603,624	-	603,624	673,258
Total Functional Expenses	\$ 1,197,804	\$ 734,629	\$ 1,932,433	\$ 1,690,433

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 2,871,423	\$ (1,679,933)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Net realized and unrealized (gains) losses on investments (Net of Income and Transfers)	(2,787,871)	1,807,531
Prior Period Adjustment	-	95,058
Changes in assets and liabilities:		
(Increase) Decrease in Presbytery causes receivable	252,025	(1,194,830)
(Increase) Decrease in other receivables	(378,882)	(213,724)
Increase (Decrease) in general mission payable	10,420	100
Increase (Decrease) in accrued liabilities	<u>(5,836)</u>	<u>18,687</u>
Net cash provided by (used in) operating activities	<u>(38,721)</u>	<u>(1,167,111)</u>
Cash Flows In Investing Activities		
Net (Purchases) Sales of investment securities	(581,260)	(48,157)
Change in restricted Cash	48,925	(718)
Issuance (Proceeds) from receipt of payment on notes receivables from churches	<u>433,773</u>	<u>1,188,889</u>
Net cash provided by (used in) investing activities	<u>(98,562)</u>	<u>1,140,014</u>
Cash Flows In Financing Activities	<u>-</u>	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(137,283)	(27,097)
Cash and Cash Equivalents - Beginning of year	<u>473,508</u>	<u>500,605</u>
Cash and Cash Equivalents - End of year	<u>\$ 336,225</u>	<u>\$ 473,508</u>

Supplemental Cash Flow Disclosures

Cash Paid During the Year for Interest	\$ <u>-</u>	\$ <u>-</u>
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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, 2019 and 2018

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 financial statements include: the "Presbytery" only. These financial statements exclude the following related entity: "Presbyterian Women in the Presbytery of Detroit" (PWPD). The effect on the consolidated report as of December 31, 2019 and 2018 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.

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 without or with donors restrictions.

New Accounting Pronouncement – For the year ended December 31, 2019, the Presbytery adhered to the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016 14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016- 14). This update addresses the complexity and understandability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added.

The accompanying information from 2018 financial statements is in conformity to the 2019 presentation disclosure requirements of ASU 2016-14.

Without Donors Restrictions - 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.

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.

With Donors Restrictions - Net 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, and consist of amounts received from donors who have specified that the principal of the donation is to remain intact for investment purposes.

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.

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

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

Functional Basis and Allocation – Indirect costs 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.

Concentration of Credit Risk Arising From Deposit – The Presbytery maintains cash balances with different banks. Accounts at each institution are insured by Federal Deposit Insurance Corporation (FDIC). At December 31, 2019, the Operating Account had deposits of \$336,225.00.

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

Notes Receivable, Other Receivables 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 Presbytery churches is \$3,192,091 and \$3,137,200 at December 31, 2019 and 2018. Of this amount \$3,858,194 for December 31, 2019 and \$3,424,421 for December 31, 2018 is due on Presbyterian Church (U.S.A.) 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 5 percent due at various maturity dates through 2037. The Notes receivable are reviewed periodically throughout the year and assessed for collectability. An allowance for doubtful accounts is not required as of December 31, 2019 they are deemed collectible.

Property, Building, and Equipment - As further discussed in Note 5, certain capital expenditures are not recorded as assets by the Presbytery.

Investment Fees - The investment management fee is paid by a reduction in trust principal only.

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

Subsequent Events - The Presbytery management has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report October 27, 2020, which is the same date the financial statements were available to be issued. (See Note 15)

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 \$22,178 and \$14,413 for the years ended December 31, 2019 and 2018. 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.

Administrative Expenses – These expenses represent non-salaried expenses used to run the day-to-day operation of the Presbytery office.

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

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

Comparative Data - The financial statements include certain prior-year summarized comparative information in total, but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2018 from which the summarized information was derived. The expenses on the statement of activities for 2018 have been shown in total only since the allocation method was changed for 2019.

Note 2 - Investment Loan Program

At December 31, 2019 and 2018, the Presbytery has \$983,309 and \$731,294 in a money market fund with the Presbytery 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 / Fair Value Measurements

	<u>2019</u>	<u>2018</u>
The fair market value of securities is as follows:		
Corporate stocks and bonds	\$13,174,006	\$10,965,943
Mutual Funds	10,259,649	9,580,211
Money market securities	<u>519,463</u>	<u>338,773</u>
Total	<u>\$23,953,118</u>	<u>\$20,884,927</u>
Net investment income for the period consist of:		
	<u>2019</u>	<u>2018</u>
Net realized and unrealized gains (losses) on investments	\$2,787,871	\$(1,807,531)
Dividends and Interest	679,162	573,421
Investment fees	<u>(77,531)</u>	<u>(76,939)</u>
Total	<u>\$3,389,502</u>	<u>\$ (1,311,049)</u>

The Presbytery adopted the Fair Value Measurements of its Investments. This accounting standard establishes a fair value hierarchy that measures the different 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 measurements 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:

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 3 - Investment Securities / Fair Value Measurements (continued)

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, Mutual Funds and Money Market Securities. These investments are based upon quoted prices and determined to be Level 1's for the year ended December 31, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Stock and bonds	\$13,174,006	\$ -	\$ -	\$13,174,006
Mutual Funds	10,259,649	-	-	10,259,649
Money Market Securities	<u>519,463</u>	<u>-</u>	<u>-</u>	<u>519,463</u>
Totals	<u>\$23,953,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$23,953,118</u>

Note 4 – Property, Buildings, and Equipment

As further discussed in Note 5, certain capital expenditures are not recorded as assets by the Presbytery.

Note 5 – 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. Subsequent to 2010 Presbytery elected not to report their fixed assets.

Note 6 – 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, 2015. This lease was renewed on September 1, 2015 for another thirty-six months, with options for renewal for two (2) extended terms of twelve (12) month's each. Rent expense, including costs of security, was \$47,921 for 2019 and \$46,143 for 2018. The Presbytery also leases photocopier equipment under an operating lease agreement expiring October, 2022 and March 2023, with monthly payments of \$1,795 and \$309. The total lease expense for the year ended December 31, 2019 amounted to \$76,257.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2020	\$ 58,020
2021	25,248
2022	19,863
2023	<u>927</u>
Total	<u>\$ 104,058</u>

Note 7 - Line-of-Credit

The Presbytery has an open line of credit with Comerica Bank in the amount of \$500,000, with a "Prime Reference Interest Rate" of half a percent. In no event and at no time shall the "Prime Referenced Rate" be less than the sum of the Daily Adjusting "LIBOR Rate" for such day Plus 2.5% per annum. The outstanding amount at December 31, 2019 was \$0.

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 8 – Net Assets (With Donors Restrictions)

As described in Notes 9 and 10, the Presbytery has With Donors Restrictions 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 With Donors Restrictions Net Assets are restricted by the donor whereby only the income may be spent for the purpose stipulated by the donor. They are either restricted by time, purpose or principal. If the funds are restricted by principal they may not be spent below its original amount. The Presbytery has also followed the guideline that the funds that are restricted by time and purpose their principal amount also may 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.

Note 9 – Purpose Restrictions Fund

Net assets (With Donors Restrictions) 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.

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, 2019 and 2018 reflects excess dollars paid out during this time period than collected. The excess represents a temporary timing difference.

	<u>2019</u>	<u>2018</u>
Ranney-Balch Fund	\$1,966,419	\$1,752,466
Special Mission - Faith in Action	6,925	325,792
Designed Fund	354,654	-
Mission Fund - (Deferred)	(353)	(9,019)
Total	<u>\$2,327,645</u>	<u>\$2,069,239</u>

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ending December 31, 2019 and 2018

Note 10 – Endowments

Endowments net assets (With Donors Restrictions) are investments of the following amounts. The income on such investments is specified by the donor to be used for the purposes noted:

	<u>2019</u>	<u>2018</u>
McKay Fund - Provide funding for new Presbyterian churches and Missions within the city of Detroit	\$ 515,154	\$ 454,697
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	15,306,784	13,508,934
Connor Fund - Earnings used to support Fort Street Presbyterian Church	<u>669,607</u>	<u>591,837</u>
Total	<u>\$16,491,545</u>	<u>\$14,555,468</u>

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>2019</u>	<u>2018</u>
Funds available to provide loans to new and Established churches – Capital Fund	\$6,785,987	\$5,807,027
Funds designated by Presbytery from Grand River Sale	-	168,375
Funds designated for Presbytery projects	<u>-</u>	<u>122,386</u>
Total designated net assets	<u>\$6,785,987</u>	<u>\$6,097,788</u>

Note 12 – Transfers

The transfers represent revenue and expense transferred within the “Without Donors Restrictions” net assets funds for 2019. These funds were transferred during the year because the Presbytery maintains only one operating checking account.

Note 13 – New Accounting Pronouncements

In July 2016, the FASB ASU 2016-2, Leases (Topic 842). The ASU requires that assets and liabilities be recognized from all leases, except for leases with a term of 12 months or less. The ASU is effective for fiscal years beginning after December 15, 2019.

In July 2015, the FASB issued ASU 2018-08, Revenue with Contracts from Customers (Topic 606). The ASU eliminates transaction and industry specific revenue recognition guidance under current general accepted accounting principles, and replaces it with a principle based approach for determining revenue recognition. The ASU is effective for fiscal years beginning after December 15, 2019. The entity effective date is October 1, 2020.

Management is currently assessing the potential impact of the upcoming pronouncements to the Organization's accounting and financial reporting.

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ending December 31, 2019 and 2018

Note 14 – Liquidity and availability of Financial Assets

The Presbytery's working capital and cash flows have variations during the year attributable to the timing of contributions receipts. Monthly cash outflows vary each year based on the specific requirements of the events programmed that year.

The following reflects the Presbytery's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents, at Year End	\$ 336,225	\$ 473,508
PILP (Mission Market)	403,718	331,021
General Investments	5,418,735	4,505,356
Short-Term Receivable	<u>77,161</u>	<u>384,007</u>
Total Current Assets	<u>6,235,839</u>	<u>5,693,892</u>
Less: Assets with Donor Restrictions (less than one year)		
Donor Restriction (Funds Designed)	354,654	177,392
Short-term Receivables (from Grand River)	635	168,375
PILP loan contingency	3,192,091	3,137,200
Mission Funds	<u>353</u>	<u>9,019</u>
Total Assets with Donor Restrictions	<u>(3,547,733)</u>	<u>(3,491,986)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year.	<u>\$2,688,106</u>	<u>\$2,201,906</u>

Note 15 – SUBSEQUENT EVENTS (COVID-19)

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. "As of the date of issuance of these financial statements, the full impact to The Presbytery's financial position is not known. Interim financial statements indicate volatility to affect all revenue streams throughout 2020 and into 2021. There were no changes made to our workforce, and programming continued and where appropriately moved to an online platforms. Management is carefully monitoring the situation and evaluating its options during this time". No adjustments have been made to these financial statements as a result of this uncertainty.

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, 2019

Church Name	Loans from General Assembly	Grant Mortgage (Deferred Payment) Loans	Presbyterian Investment Loan Program	Loans from Presbytery	Total
Ann Arbor, Calvary	\$ -	\$ 5,000	\$ -	\$ -	\$ 5,000
Ann Arbor, Calvary	-	9,000	-	-	9,000
Berkley, Greenfield Church	15,000	-	-	-	15,000
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
Trinity	-	21,664	-	-	21,664
Westminster	297,177	-	-	-	297,177
Farmington, First Presbyterian	-	-	149,675	-	149,675
Drayton Plains, Community	-	28,688	-	-	28,688
Gratiot Avenue	-	49,820	-	-	49,820
Howell, First Presbyterian	-	-	157,449	-	157,449
Livonia, St. Pauls	-	10,000	-	-	10,000
Northville, First Presbyterian	-	-	804,065	-	804,065
Novi, Faith Community	-	-	200,823	-	200,823
Plymouth, First Presbyterian	242,200	-	-	-	242,200
Pontiac, Joslyn Ave.	-	22,175	-	-	22,175
Redford, Village	-	11,418	-	-	11,418
Rochester Hills University	-	-	512,409	-	512,409
Southwest Detroit Immigrant and Refugee Center	-	-	-	50,000	50,000
Sterling Heights, New Life	-	-	-	22,940	22,940
Sterling Heights, Utica / New Life	8,760	-	-	-	8,760
Sterling Heights, Utica / New Life	20,556	-	-	-	20,556
Troy, Northminster North	82,410	-	-	-	82,410
Howell Nature Center	-	373,573	1,367,670	-	1,741,243
	<u>\$ 666,103</u>	<u>\$ 626,411</u>	<u>\$ 3,192,091</u>	<u>\$ 72,940</u>	<u>\$ 4,557,545</u>