THE PRESBYTERY OF DETROIT, INC.
(Consolidated)

Financial Statements
Independent Auditor's Report
with Comparative and Supplementary Information
December 31, 2008 and 2007

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TELLIS & COMPANY, P.L.L.C.

Certified Public Accountants and Consultants

Anita R. Tellis C.P.A.

15 E. Kirby St., Suite 106
Detroit, Michigan 48202-4038
(313) 873-3812
(313) 873-3816 Fax

Independent Auditor's Report

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

We have audited the accompanying statements of financial position of The Presbytery of Detroit, Inc. (Consolidated) as of December 31, 2008 and 2007 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Presbytery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 6 to the financial statements, certain capital expenditures prior to 1983 were not capitalized or depreciated as assets by The Presbytery of Detroit, Inc. Accounting principles generally accepted in the United States of America require that such assets be capitalized and depreciated. The effect of this departure from generally accepted accounting principles on financial position, results of operations, and cash flows has not been determined.

In our opinion, except for the effects of the unrecorded net book value of capital assets and related depreciation expense as discussed in the preceding paragraph, 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, 2008 and 2007 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.

The accompanying additional information on page 13 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

June 17, 2009

THE PRESBYTERY OF DETROIT, INC.

Statements of Financial Position

As of December 31, 2008 and 2007

Assets

		2008		2007
Cash and Cash Equivalents:				
Demand Deposits	$	868,733	$	1,368,649
Presbyterian Investment Loan Program (Note 2)		510,262		503,813
Investment Securities (Note 3)		12,638,905		15,770,637
Notes Receivable (Note 1)				
Notes Receivable		2,620,787		1,774,832
Note Receivable from Synod of Covenant		38,422		77,074
Total Notes and Land Contracts Receivable		2,659,209		1,851,906
Other Assets				
Investment in Equity Participation Agreement (Note 4)		13,600		40,400
Other Receivables (Note 1)		367,506		152,706
Store Inventory		15,788		11,519
Prepaid Assets		10,399		7,605
Total Other Assets		407,293		212,230
Property, Buildings, and Equipment - Net (Notes 5 and 6)		1,847,179		1,912,333
Total Assets	$	18,931,581	$	21,619,568

Liabilities and Net Assets

		2008		2007
Liabilities:				
Notes Payable to Presbyterian Church (U.S.A.) (Note 1)	$	2,341,565	$	1,521,028
Notes Payable to Synod of Covenant (Note 1)		38,422		77,074
Notes Payable Others (Note 8)		87,709		106,409
General Mission payable		120,298		215,821
Accrued Liabilitites		56,964		146,584
Total Liabilities		2,644,958		2,066,916
Net Assets:				
Unresticted				
General Operating (Deficit)		(1,749,178)		(1,974,269)
Designated for Long-Term Investment and Other (Note 11)		4,723,824		5,287,015
Designated for Property and Equipment		1,668,956		1,877,684
Temporarily Restricted (Note 9)		1,241,743		1,363,267
Permanently Restricted (Note 10)		10,401,278		12,998,955
Total Net Assets		16,286,623		19,552,652
Total Liabilities and Net Assets	$	18,931,581	$	21,619,568

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, 2008 and 2007

	Unrestricted							
	General Operating	Designated	Property and Equipment	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008	Total 2007
Changes in Net assets								
Revenue, gains, and other support								
Per capita apportionments	$ 424,086	$ -	$ -	$ 424,086	$ -	-	$ 424,086	$ 474,054
Presbytery Mission giving	320,922	-	-	320,922	-	-	320,922	399,612
Grants	67,364	6,940	-	74,304	-	-	74,304	143,622
Offerings/Donations	130,291	274,442	-	404,733	-	-	404,733	283,304
Outdoor ministries	1,777,199	-	-	1,777,199	25,298	-	1,802,497	1,716,064
Other Income (Loss)	(5,385)	-	-	(5,385)	-	-	(5,385)	5,858
Net realized and unrealized gains	-	(251,510)	29,145	(222,365)	(285,436)	(2,529,192)	(3,036,993)	393,593
Interest and dividends	245,744	133,806	-	379,550	(7,036)	187,078	559,592	702,613
Net assets released from restrictions-								
Satisfaction of program restrictions	109,913	-	-	109,913	145,650	(255,563)	-	-
Total revenue, gains, and other support	3,070,134	163,678	29,145	3,262,957	(121,524)	(2,597,677)	543,756	4,118,720
Expenses:								
Program expenses (Note 13)	2,429,314	293,644	-	2,722,958	-	-	2,722,958	2,629,425
Management and general (Note 13)	891,777	5,979	138,603	1,036,359	-	-	1,036,359	1,068,962
Fundraising expenses	50,468	-	-	50,468	-	-	50,468	45,234
Total expenses	3,371,559	299,623	138,603	3,809,785	-	-	3,809,785	3,743,621
Increase in Net Assets - Before transfers	(301,425)	(135,945)	(109,458)	(546,828)	(121,524)	(2,597,677)	(3,266,029)	375,099
Transfers	526,516	(427,246)	(99,270)	-	-	-	-	-
Increase (Decrease) in Net Assets	225,091	(563,191)	(208,728)	(546,828)	(121,524)	(2,597,677)	(3,266,029)	375,099
Net Assets - January 1,	(1,974,269)	5,287,015	1,877,684	5,190,430	1,363,267	12,998,955	19,552,652	19,177,553
Net Assets - December 31,	$ (1,749,178)	$ 4,723,824	$ 1,668,956	$ 4,643,602	$ 1,241,743	10,401,278	$ 16,286,623	$ 19,552,652

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

THE PRESBYTERY OF DETROIT, INC.

Statements of Cash Flows

For the Years Ended December 31, 2008 and 2007

		2008		2007
Cash Flows from Operating Activities				
Changes in net assets	$	(3,266,029)	$	375,099
Adjustments to reconcile changes in net assets to net cash from operating activities:				
Depreciation		138,603		180,686
Net realized and unrealized (gains) losses on investments		2,976,992		(373,072)
Changes in assets and liabilities:				
(Increase) Decrease in Presbytery causes receivable		(1,166,520)		(39,544)
(Increase) Decrease in equity participation agreement		26,800		10,000
(Increase) Decrease in other receivables		(144,417)		(16,513)
(Increase) Decrrease in store inventory		(4,269)		(1,604)
(Increase) Decrease in prepaid assets		(2,794)		14,411
Increase (Decrease) in general mission payable		180,689		105,380
Increase (Decrease) in accrued liabilities		89,620		(34,577)
Net cash provided by (used in) operating activities		(1,171,325)		220,266
Cash Flows In Investing Activities				
Net (Purchase) Sales of investment securities		(69,705)		(36,132)
Net Sales (Purchases) of property, buildings, and equipment		(107,237)		(193,753)
Issuance (Proceeds) from receipt of payment on notes receivables from churches		820,537		149,063
Issuance (Proceeds) from receipt of payment on land contract receivable		(38,652)		(5,514)
Net cash provided by (used in) investing activities		604,943		(86,336)
Cash Flows In Financing Activities				
Increase (Decrease) in notes payable		66,466		106,409
Net Increase (Decrease) in Cash and Cash Equivalents		(499,916)		240,338
Cash and Cash Equivalents - Beginning of year		1,368,649		1,128,311
Cash and Cash Equivalents - End of year	$	868,733	$	1,368,649

Supplemental Cash Flow Disclosures

Cash Paid During the Year for Interest	$	76,163	$	72,642

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, 2008 and 2007

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.).

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.

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 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.

Significant accounting policies are as follows:

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.

Investment Securities - Marketable securities are recorded at fair market value.

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

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 $2,620,787 and $1,774,832 at December 31, 2008 and 2007. Of this amount $2,341,565 for December 31, 2008 and $1,521,028 for December 31, 2007 is due on Presbyterian Church (U.S.A.) loans, and $38,422 and $77,074 for December 31, 2008 and 2007 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. All amounts deemed uncollectible are charged against bad debt expense in the period the determination is made.

Other Receivables - This amount represents receivables from customers for 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 customer payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. The Other Receivables also contains annual Mission receivables not received until the subsequent year, and the Committee on Preparation for Ministry (CPM) receivables in which one-half of the receivables are forgiven as a grant providing that an individual who is ordained, serves within the PC(USA).

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.

Property of Local Churches - Property of local churches as reported in Note 5 includes the equities of local churches, which are carried at cost, net of reimbursements received from the local churches by the Presbytery. These properties are not depreciated.

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.

THE PRESBYTERY OF DETROIT, INC.

Notes to Financial Statements
For the Years Ended December 31, 2008 and 2007

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

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 $15,899 and $18,423 for the years ended December 31, 2008 and 2007. 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. (EX: computer – support and maintenance, occupancy, and security, etc.)

Note 2 - Investment Loan Program

At December 31, 2008 and 2007, the Presbytery has $510,262 and $503,813 in a money market fund with the Presbyterian Church (U.S.A.) Investment Program and a Certificate of Deposit with Shore Bank. 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.

Note 3 - Investment Securities

The fair market value of securities is as follows:

	2008	2007
Corporate stocks and bonds	$ 8,444,470	$ 12,231,119
U.S. government obligations	3,558,044	3,150,909
Money market securities	636,391	388,609
Total	$12,638,905	$15,770,637

The Presbytery did not adopt Financial Accounting Standards Board Statement No. 157 for the year-ended December 31, 2008. The lack of adoption has no effect on the reporting of the Investment Securities. The Investment Securities for the year-ended December 31, 2008 were reported under “FASB Statement No. 124 Accounting for Certain Investments Held by Not-for-Profit Organizations”.

Note 4 – Investment in Equity Participation Agreement

The Presbytery has invested $13,600 for 2008 and $40,400 for 2007 in homes acquired by ministers in return for a specified ownership percentage interest in the property. This investment is collateralized by a second mortgage on the property. Upon the sale of the property or the minister’s termination of employment with the Presbytery, the minister will pay the Presbytery a sum representing the Presbytery’s interest in the property, determined by multiplying the appraised fair market value of the property, less the cost of any capital improvements and closing costs, by the Presbytery’s specified ownership interest. These investments are recorded at cost.

Note 5 – Property, Buildings, and Equipment

Property, buildings, and equipment at December 31, 2008 and 2007 are comprised of the following:

	2008	2007
Properties of local churches	$ 323,857	$ 327,275
Camp	2,719,977	2,710,121
Buildings and improvements	292,497	261,885
Furniture and fixtures	536,200	593,311
Total property, buildings, and equipment	3,872,531	3,892,592
Less accumulated depreciation	2,025,352	1,980,259
Net carrying amount	$1,847,179	$1,912,333

As further discussed in Note 6, certain capital expenditures prior to 1983 were not recorded as assets by the Presbytery.

Note 6 – Depreciation of Assets

During 1989, Financial Accounting Standards Board Statement No. 93 became effective for all not-for-profit organizations. This statement requires the Presbytery to record as assets all capital expenditures since inception, and record depreciation charges each year over their estimated useful lives. The Presbytery has recorded, as assets, all expenditures of a capital nature since 1983 and has been recognizing their cost over the estimated useful lives through depreciation charges. Certain capital expenditures prior to 1983 were not recorded as assets by the Presbytery. Management believes it is not practical to determine the cost basis and subsequent net book value of assets acquired prior to 1983; therefore, the effect of this departure from generally accepted accounting principles on financial position, results of operations, and cash flows has not been determined.

Note 7 - Leases

The Presbytery rents its office facility from a member church under a twenty-four month lease commencement date January 1, 2007 and expires December 31, 2008. Rent expense, including costs of security, was $57,136 for 2008 and $68,609 for 2007.

Note 8 – Notes Payable Others

As of December 31, 2008, Howell Conference and Nature Center had a note payable to a bank due in 48 monthly installments of $353, including interest at 6.29% per annum, commencing on February 18, 2006.

As of December 31, 2008, Presbytery of Detroit, Inc. had three capital leases due in 60 monthly installments of $499, $489, and $899, including interest at 5.99% per annum, commencing October thru December, 2007.

Maturities by year are as follows:

Year ending	December 31, 2009	$22,927
	December 31, 2010	19,971
	December 31, 2011	21,013
	December 31, 2012	20,631
	December 31, 2012	3,167
	Total	$ 87,709

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 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, 2008 and 2007 reflects excess dollars paid out during this time period than collected. The excess represents a temporary timing difference.

	2008	2007
Ranney-Balch Fund	$1,181,742	$1,474,213
Howell Conference and Nature Center	25,298	-
Mission Fund	34,703	(110,946)
	$1,241,743	$1,363,267

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:

	2008	2007
McKay Fund - Provide funding for new Presbyterian churches and Missions within the city of Detroit	$ 326,494	$ 407,592
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	9,652,788	12,065,074
Connor Fund - Earnings used to support Fort Street Presbyterian Church	421,996	526,289
Total permanently restricted net assets	$10,401,278	$12,998,955

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:

	2008	2007
Funds available to provide financial assistance to new and Established churches – Capital Fund	$ 4,512,334	$ 4,937,981
Funds designated for Presbytery projects	211,490	349,034
Total designated net assets	$ 4,723,824	$ 5,287,015

Note 12 – Transfers

The transfers represent revenue and expense transferred within the unrestricted net assets funds for 2008. These funds were transferred during the year because the Presbytery maintains only one operating checking account.

Note 13 - Unrestricted Expenses

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

	2008	2007
Program expenses:		
Howell Conference and Nature Center	$ 1,091,670	$ 925,720
Operations	1,169,666	1,071,830
Pastors Retreat and Support	-	27,186
Hands on Mission	-	3,750
Anti-Racism	-	2,212
Mission	90,178	104,226
Two Cents A Meal	11,771	-
Congregational Support	42,008	46,497
Social Justice	33,861	20,162
Helping Hand	5,831	7,125
Hunger Program	10,336	35,644
Katrina	-	-
Alma Youth Mix	4,227	-
Kenya	-	5,000
SFFFDMT	12,936	7,519
Congregational Life	28,865	42,467
Other Expenses	221,609	330,087
Total Program Expenses	$ 2,722,958	$ 2,629,425
Management and general expenses:		
Trustees (Note 1)	$ 822,073	$ 809,053
Depreciation expenses	138,603	180,686
Investment fees	75,683	79,223
Total Management and General Expenses	$ 1,036,359	$ 1,068,962
Fundraising Expense	$ 50,468	$ 45,234

Supplementary Information

THE PRESBYTERY OF DETROIT, INC.

Schedule of Indebtedness of Churches and the Presbytery of Detroit
to Other Presbyterian Organziations
For the Year Ended December 31, 2008

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	12,766	-	-	-	-	12,766
Auburn Hills	72,197	-	-	-	-	72,197
Brighton, First Presbyterian	140,000	-	-	-	-	140,000
Detroit, St John's	75,000	-	-	-	-	75,000
Dearborn, Cherry Hill	-	28,940	-	-	-	28,940
Dearborn, Littlefield	-	17,083	-	-	-	17,083
Churches of Detroit			-	-		
Broadstreet	-	20,000	-	-	6,092	26,092
Calvin East	-	29,050	-	-	-	29,050
Grandale	-	20,000	-	-	-	20,000
Gratiot			-	-	8,907	8,907
Outer Drive	-	21,664	-	-	-	21,664
Trinity Community (Loan 1)	-	-	-	-	275	275
Trinity Community (Loan 2)	-	-	-	-	35,232	35,232
Eunmenical Center & International Residence	-	53,787	-	-	-	53,787
Greenfield Presbyterian	155,000	-	-	-	-	155,000
Drayton Plains, Community	-	28,688	-	-	-	28,688
Highland Park, Park United	-	-	-	-	22,743	22,743
Livonia, St. Pauls	-	10,000	-	-	-	10,000
Livonia, St Timothy's	137,865		-	-	-	137,865
Macomb, Church of the Covenant	323,388	240,000	38,422	-	12,010	613,820
Northminster Presbyterian	232,636	-	-	-	-	232,636
Novi, Faith Community	-	-	-	404,808	103,173	507,981
Pontiac, Joslyn Ave.	-	22,175	-	-	-	22,175
Redford, Village	-	11,418	-	-	-	11,418
Rochester University	325,606	-	-	-	-	325,606
Royal Oak, First Koean	-	-	-	-	36,968	36,968
Royal Oak, Point of Vision	-	10,000	-	-	6,742	16,742
South Lyon, First Presbyterian	224,938	-	-	-	-	224,938
Sterling Heights, Utica	54,429	-	-	-	-	54,429
Sterling Heights, Utica	70,000	-	-	-	-	70,000
St. James	-	-	-	-	30,281	30,281
Waterford Community	112,932	-	-	-	-	112,932
Westland, Kirk of Our Savior	-	-	-	-	1,301	1,301
Total Loans - Churches	$ 1,936,757	$ 526,805	$ 38,422	$ 404,808	$ 263,724	$ 3,170,516