

THE PRESBYTERY OF DETROIT, INC.

Financial Statements
Independent Auditor's Report
with Supplementary Information
December 31, 2018 and 2017

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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, 2018 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, 2018 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.

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

Report on Summarized Comparative Information

We have previously audited The Presbytery of Detroit, Inc. 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 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 and Company, PLLC

Detroit, Michigan
August 20, 2019

THE PRESBYTERY OF DETROIT, INC.

Statements of Financial Position As of December 31, 2018 and 2017

	Assets	
	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 473,508	\$ 500,605
Presbyterian Investment Loan Program (Note 2)	731,294	728,504
Investment Securities (Notes 3)	20,884,927	22,646,371
Notes Receivable		
Notes Receivable (Note 1)	719,614	505,890
Other Assets		
Other Receivables (Note 1)	<u>3,523,237</u>	<u>2,328,407</u>
Total Assets	\$ <u>26,332,580</u>	\$ <u>26,709,777</u>

Liabilities and Net Assets

Liabilities:		
Notes Payable to Presbyterian Church (U.S.A.) (Note 1)	\$ 3,424,421	\$ 2,235,532
General Mission payable	102	-
Accrued Liabilities	18,650	(37)
Total Liabilities	<u>3,443,173</u>	<u>2,235,495</u>
Net Assets:		
Without Donors Restrictions		
General Operating (Deficit)	166,912	50,312
Designated for Long-Term Investment and Other (Note 11)	6,097,788	6,192,306
With Donors Restrictions		
Special Mission Opportunities (Note 9)	2,069,239	2,214,221
Endowments (Note 10)	14,555,468	16,017,443
Total Net Assets	<u>22,889,407</u>	<u>24,474,282</u>
Total Liabilities and Net Assets	\$ <u>26,332,580</u>	\$ <u>26,709,777</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, 2018 and 2017

	Without Donors Restrictions			With Donors Restrictions		Total 2018	Total 2017
	General Operating	Designated	Subtotals	Special Mission Opportunities	Endowments		
Changes in Net assets							
Revenue, gains, and other support							
Per capita apportionments	\$ 353,166	\$ -	\$ 353,166	\$ -	\$ -	\$ 353,166	\$ 397,437
Presbytery Mission giving	189,711	-	189,711	-	-	189,711	221,666
Grants	6,300	30,000	36,300	-	-	36,300	41,979
Offerings/Donations	235	71,382	71,617	-	-	71,617	486,252
Other Income (Loss)	95,801	-	95,801	5,715	-	101,516	6,666
Endowment income	323,925	-	323,925	-	-	323,925	262,212
Endowment distribution (Fort Street, and Other Entities)	-	(4,910)	(4,910)	57,079	505,475	557,644	597,573
Net assets released from restrictions- Satisfaction of program restrictions	673,256	-	673,256	(33,520)	(639,736)	-	-
Total revenue, gains, and other support	1,642,394	96,472	1,738,866	29,274	(134,261)	1,633,879	2,013,785
Expenses:							
Program expenses	1,407,965	93,427	1,501,392	-	-	1,501,392	1,498,873
Management and general	155,824	33,217	189,041	-	-	189,041	143,945
Total expenses	1,563,789	126,644	1,690,433	-	-	1,690,433	1,642,818
Increase (Decrease) in Net Assets - Before transfers	78,605	(30,172)	48,433	29,274	(134,261)	(56,554)	370,967
Transfers							
In	29,606	(4)	29,602	(29,602)	-	-	-
Out	-	-	-	-	-	-	-
Net	29,606	(4)	29,602	(29,602)	-	-	-
Increase (Decrease) in Net Assets from Operating Activities	108,211	(30,176)	78,035	(328)	(134,261)	(56,554)	370,967
Nonoperating Activities:							
Net realized and unrealized gains	-	(329,813)	(329,813)	(150,004)	(1,327,714)	(1,807,531)	1,493,006
Sale, Disposal of Fixed Assets	-	168,375	168,375	-	-	168,375	-
Interest and dividends	8,389	2,038	10,427	5,350	-	15,777	162,340
Change in net assets from nonoperating activities	8,389	(159,400)	(151,011)	(144,654)	(1,327,714)	(1,623,379)	1,655,346
Changes in net assets	116,600	(189,576)	(72,976)	(144,982)	(1,461,975)	(1,679,933)	2,026,313
Net Assets - January 1,	50,312	6,192,306	6,242,618	2,214,221	16,017,443	24,474,282	22,447,969
Prior Period Adjustment (Note 16)	-	95,058	95,058	-	-	95,058	-
Adjusted net assets - January 1,	50,312	6,287,364	6,337,676	2,214,221	16,017,443	24,569,340	22,447,969
Net Assets - December 31,	\$ 166,912	\$ 6,097,788	\$ 6,264,700	\$ 2,069,239	\$ 14,555,468	\$ 22,889,407	\$ 24,474,282

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

THE PRESBYTERY OF DETROIT, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2018 and 2017

	Program Expenses	Administrative Expenses	2018 Totals	2017 Totals
Salaries and Wages/Housing Allowance	\$ 305,998	\$ -	\$ 305,998	\$ 276,421
Reimbursed Allowance	42,725	-	42,725	23,730
Payroll Taxes	23,573	-	23,573	28,205
Employee Benefits	67,124	-	67,124	77,625
Bank Charges	-	14,857	14,857	10,414
Background Checks	-	739	739	559
Clergy Support	125	-	125	4,367
Communication / Publicity	-	-	-	596
Computer - Internet/Website	-	3,728	3,728	1,444
Computer - Maintenance/Support	-	28,741	28,741	13,056
Computer - Software	-	6,137	6,137	5,049
Computer - Supplies	-	23	23	1,417
Copier - Meter Charges	-	2,661	2,661	2,466
Dues and Membership	-	-	-	443
Equipment - Lease	-	27,007	27,007	20,019
Equipment - (Minor) Purchase	-	2,119	2,119	189
Freight and Shipping Charges	-	187	187	-
Gifts and Flowers	-	300	300	-
Advertising Expenses	1,338	249	1,587	5,676
Maintenance Repair	-	755	755	-
Meeting Expenses	150	1,443	1,593	2,827
Moderator Training	-	-	-	1,009
Insurance - General	-	7,234	7,234	4,539
Occupancy	-	46,143	46,143	44,134
Postage Expenses	-	3,297	3,297	4,699
Professional Fees - Audit	-	11,960	11,960	13,500
Professional Fees - consultant	5,000	-	5,000	7,000
Professional Fees - Legal	-	15,148	15,148	2,212
Professional Fees - Payroll	3,324	-	3,324	3,154
Psychological	-	-	-	183
Resource Material	1,244	-	1,244	139
Supplies - Office	-	9,184	9,184	8,069
Telephone - Expense and Maintenance	-	6,415	6,415	5,208
Travel and Mileages Expenses	396	714	1,110	987
Committee Expenses	11,278	-	11,278	-
Mission/Ministries/Support	248,294	-	248,294	313,512
PC USA Grants	27,500	-	27,500	36,300
Designated Projects (ECO)	60,461	-	60,461	101,228
2018 Faith in Action Mission Fund	29,604	-	29,604	-
Endowment Distributions	673,258	-	673,258	622,442
Total Functional Expenses	\$ 1,501,392	\$ 189,041	\$ 1,690,433	\$ 1,642,818

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (1,679,933)	\$ 2,026,313
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)	1,807,531	(2,692,072)
Prior Period Adjustment	95,058	-
Changes in assets and liabilities:		
(Increase) Decrease in Presbytery causes receivable	(1,194,830)	1,071,833
(Increase) Decrease in other receivables	(213,724)	544,020
Increase (Decrease) in general mission payable	100	(98,688)
Increase (Decrease) in accrued liabilities	<u>18,687</u>	<u>(293)</u>
Net cash provided by (used in) operating activities	<u>(1,167,111)</u>	<u>851,113</u>
Cash Flows In Investing Activities		
Net (Purchases) Sales of investment securities	(48,157)	(455,972)
Change in restricted Cash	(718)	745
Issuance (Proceeds) from receipt of payment on notes receivables from churches	<u>1,188,889</u>	<u>(246,305)</u>
Net cash provided by (used in) investing activities	<u>1,140,014</u>	<u>(701,532)</u>
Cash Flows In Financing Activities	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	(27,097)	149,581
Cash and Cash Equivalents - Beginning of year	<u>500,605</u>	<u>351,024</u>
Cash and Cash Equivalents - End of year	<u>\$ 473,508</u>	<u>\$ 500,605</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, 2018 and 2017

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, 2018 and 2017 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, 2018, the Presbytery adopted 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 2017 financial statements has been restated to conform to the 2018 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, 2018 and 2017

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, 2018, the Operating Account had deposits less than the FDIC limits.

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 \$3,137,200 and \$2,386,106 at December 31, 2018 and 2017. Of this amount \$3,424,421 for December 31, 2018 and \$2,235,532 for December 31, 2017 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, 2018 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 August 20, 2019, 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 \$14,413 and \$10,668 for the years ended December 31, 2018 and 2017. 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, 2018 and 2017

Note 2 - Investment Loan Program

At December 31, 2018 and 2017, the Presbytery has \$731,294 and \$728,504 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>2018</u>	<u>2017</u>
The fair market value of securities is as follows:		
Corporate stocks and bonds	\$10,965,943	\$12,317,136
Mutual Funds	9,580,211	9,927,561
Money market securities	<u>338,773</u>	<u>401,674</u>
Total	<u>\$20,884,927</u>	<u>\$22,646,371</u>
Net investment income for the period consist of:		
	<u>2018</u>	<u>2017</u>
Net realized and unrealized gains (losses) on investments	\$(1,807,531)	\$ 1,493,006
Dividends and Interest	573,421	1,027,012
Investment fees	<u>(76,939)</u>	<u>(77,316)</u>
Total	<u>\$(1,311,049)</u>	<u>\$ 2,442,702</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:

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, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Stock and bonds	\$10,965,943	\$ -	\$ -	\$10,965,943
Mutual Funds	9,580,211	-	-	9,580,211
Money Market Securities	<u>338,773</u>	<u>-</u>	<u>-</u>	<u>338,773</u>
Totals	<u>\$20,884,927</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$20,884,927</u>

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

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 \$46,143 for 2018 and \$44,134 for 2017. 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, 2018 amounted to \$73,150.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 73,171
2020	58,020
2021	25,248
2022	19,863
2023	<u>927</u>
Total	\$ <u>177,229</u>

Note 7 - Line-of-Credit

The Presbytery has an open line of credit with Comerica Bank in the amount of \$500,000, with an interest “Prime Reference Rate” of .50%. 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, 2018 was \$0.

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.

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ending December 31, 2018 and 2017

Note 9 – Special Mission Opportunities

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, 2018 and 2017 reflects excess dollars paid out during this time period than collected. The excess represents a temporary timing difference.

	<u>2018</u>	<u>2017</u>
Ranney-Balch Fund	\$1,752,466	\$1,878,911
Special Mission - Faith in Action	325,792	350,047
Mission Fund - (Deferred)	<u>(9,019)</u>	<u>(14,737)</u>
Total	<u>\$2,069,239</u>	<u>\$2,214,221</u>

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>2018</u>	<u>2017</u>
McKay Fund - Provide funding for new Presbyterian churches and Missions within the city of Detroit	\$ 454,697	\$ 499,590
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		
	13,508,934	14,868,241
Connor Fund - Earnings used to support Fort Street Presbyterian Church	<u>591,837</u>	<u>649,612</u>
Total	<u>\$14,555,468</u>	<u>\$16,017,443</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>2018</u>	<u>2017</u>
Funds available to provide loans to new and Established churches – Capital Fund	\$5,807,027	\$6,077,898
Funds designated by Presbytery from Grand River Sale	168,375	-
Funds designated for Presbytery projects	<u>122,386</u>	<u>114,408</u>
Total designated net assets	<u>\$6,097,788</u>	<u>\$6,192,306</u>

THE PRESBYTERY OF DETROIT, INC.
Notes to Financial Statements
For the Years Ending December 31, 2018 and 2017

Note 12 – Transfers

The transfers represent revenue and expense transferred within the “Without Donors Restrictions” net assets funds for 2018. 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.

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

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.

Cash and Cash Equivalents, at Year End	\$ 473,508	
PILP (Mission Market)	331,021	
General Investments	4,505,356	
Short-Term Receivable	<u>384,007</u>	
Total Current Assets		\$5,693,892
Less: Assets with Donor Restrictions (less than one year)		
Donor Restriction (Funds Designed)	177,392	
Short-term Receivables (from Grand River)	168,375	
PILP loan contingency	3,137,200	
Mission Funds	<u>9,019</u>	
Total Assets with Donor Restrictions		<u>(3,491,986)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year.		<u>\$2,201,906</u>

Note 15 – Subsequent Event

On January 15, 2019 the Presbytery sold their building located at 3530 Grand River in Detroit for \$305,000 with a realized gain of \$168,375 after the related expenses were recognized. Under the AU 560 code definition this transaction existed at December 31, 2018. Therefore, this sale was recognized and included in these financial statements as of December 31, 2018.

On December 13, 2017 a gift for the amount of \$350,000 was received by the Presbytery to be used for mission by congregations and their mission partners within the Presbytery. The goal was to disburse these funds in about a year’s time. In February 2019 the majority of the funds were disbursed with about \$30,000 remaining to be released.

Note 16 – Prior Period Adjustment

Prior Period Adjustment represents a correction of an error from the prior years of (\$1,670). This balance also represent \$96,728 of general maintenance expenses the Presbytery paid on behalf of the Grand River property before January 1, 2018 while deciding on the property sale. (See Note 15 above). A total of \$95,058 was adjusted to the beginning net asset balance for the year.

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, 2018

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
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
Trinity	-	21,664	-	-	21,664
Farmington, First Presbyterian	-	-	175,718	-	175,718
Drayton Plains, Community	-	28,688	-	-	28,688
Greenfield	150,000	-	-	-	150,000
Gratiot Avenue	-	49,920	-	-	49,920
Howell, First Presbyterian	-	-	180,609	-	180,609
Livonia, St. Pauls	-	10,000	-	-	10,000
Barnabas	-	-	-	37,901	37,901
Northville, First Presbyterian	-	-	863,506	-	863,506
Novi, Faith Community	-	-	221,772	-	221,772
Pontiac, Joslyn Ave.	-	22,175	-	-	22,175
Redford, Village	-	11,418	-	-	11,418
Rochester Hills	-	-	530,134	-	530,134
Sterling Heights, Utica	13,880	-	-	-	13,880
Sterling Heights, Utica	25,841	-	-	-	25,841
Troy, Northminister	97,500	-	-	-	97,500
Howell Nature Center	-	373,573	1,165,461	-	1,539,034
Total Loans - Churches	\$ 287,221	\$ 646,511	\$ 3,137,200	\$ 37,901	\$ 4,108,833