

**PRESBYTERY OF MACKINAC**  
**PETOSKEY, MICHIGAN**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**



**SCHULZE, OSWALD, MILLER & EDWARDS PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**989-354-8707**

**PRESBYTERY OF MACKINAC  
PETOSKEY, MICHIGAN  
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FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

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## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To the Board of Directors of  
Presbytery of Mackinac  
2206 Mitchell Park Drive, Ste 15  
Petoskey, MI 49770

We have reviewed the accompanying financial statements of the Presbytery of Mackinac, a Michigan non-profit organization, which comprise the statement of assets liabilities, and net assets – cash basis as of **December 31, 2018**, and the related statement of revenues, expenses, and other changes in net assets – cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the cash basis of accounting.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

*Schulze, Oswald, Miller & Edwards PC*

Schulze, Oswald, Miller & Edwards PC  
Alpena, Michigan  
July 16, 2019

**PRESBYTERY OF MACKINAC  
PETOSKEY, MICHIGAN  
BALANCE SHEET - CASH BASIS  
AS OF DECEMBER 31, 2018**

<u>ASSETS</u>	<u>Operating Fund</u>	<u>Mission Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 119,056	\$ 24,130	\$ 209,392	\$ 352,578
Due from/(to) other funds	(5)	5	-	-
Accounts receivable	441	-	-	441
Investment in Presbyterian Church (USA) Investment & Loan Program	-	-	6,766	6,766
Investments with The New Covenant Mutual Funds, at market:				
Campus Ministry Fund	-	-	11,529	11,529
Church Development Fund	-	-	65,849	65,849
Presbytery Point Fund	-	-	4,921	4,921
Faith Journey Fund	-	-	1,133	1,133
Total investments with the New Covenant Mutual Funds	-	-	83,432	83,432
Investments with the Presbyterian Foundation, at market:				
Mackinac Campus Ministry Fund	-	-	35,465	35,465
Marilyn Van Dam Memorial Fund	-	-	30,809	30,809
Roma F. Walstrom-Boline Fund	-	-	74,718	74,718
Presbytery's share of the City Endowment Fund referred to as the Mawby Fund, its donor	-	-	1,375	1,375
Total investments with the Presbyterian Foundation	-	-	142,367	142,367
<b>Total assets</b>	<b>\$ 119,492</b>	<b>\$ 24,135</b>	<b>\$ 441,957</b>	<b>\$ 585,584</b>
<b>LIABILITIES AND NET ASSETS</b>				
Payroll withholdings	\$ 678	\$ -	\$ -	\$ 678
Per capital payable	8,571	-	-	8,571
<b>Total liabilities</b>	<b>9,249</b>	<b>-</b>	<b>-</b>	<b>9,249</b>
<b>Net assets:</b>				
Without donor restriction				-
Without donor restriction, but designated by Presbytery	110,243	12,172	37,798	160,213
Total net assets without donor restrictions	110,243	12,172	79,186	201,601
With donor restriction				
Purpose restricted	-	11,964	220,404	232,368
Endowment funds	-	-	142,367	142,367
Total net assets without donor restrictions	-	11,964	362,771	374,735
Total net assets	110,243	24,136	441,957	576,336
<b>Total liabilities and net assets</b>	<b>\$ 119,492</b>	<b>\$ 24,136</b>	<b>\$ 441,957</b>	<b>\$ 585,585</b>

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT.

**PRESBYTERY OF MACKINAC  
PETOSKEY, MICHIGAN  
STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Operating Fund	Mission Fund		Restricted Fund				Totals	
	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions		With Donor Restrictions		Without Donor Restrictions	With Donor Restrictions
				Without Designation	With Designation	As to Purpose	Edowment Funds		
<b>REVENUES</b>									
Per capita collections	\$ 170,752	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,752	\$ -
Less per capita paid to:									
General Assembly	(34,762)	-	-	-	-	-	-	(34,762)	-
Synod	(14,578)	-	-	-	-	-	-	(14,578)	-
Per capita retained by Presbytery	121,412	-	-	-	-	-	-	121,412	-
Other revenues:									
Basic mission	49,304	-	-	-	-	-	-	49,304	-
James Joy estate bequest	19,069	-	-	-	-	-	-	19,069	-
Synod grant	5,321	-	-	-	-	-	-	5,321	-
Other	1,665	-	-	-	-	-	-	1,665	-
Basic mission contributions	-	79,148	-	-	-	-	-	79,148	-
Special mission offerings collected:									
One Great Hour of Sharing	-	-	27,501	-	-	-	-	-	27,501
Christmas Joy	-	-	26,943	-	-	-	-	-	26,943
Peacemaking	-	-	5,584	-	-	-	-	-	5,584
Theological education	-	-	3,823	-	-	-	-	-	3,823
Pentecost	-	-	3,282	-	-	-	-	-	3,282
Other	-	-	8,053	-	-	-	-	-	8,053
Contributions to Restricted Fund	-	-	-	-	-	1,782	-	-	1,782
Investment income	-	-	-	185	197	5,324	6,260	382	11,584
Net assets released from restriction	-	-	-	61	-	6,205	(6,266)	61	(61)
<b>TOTAL REVENUES</b>	<b>196,771</b>	<b>79,148</b>	<b>75,186</b>	<b>246</b>	<b>197</b>	<b>13,311</b>	<b>(6)</b>	<b>276,362</b>	<b>88,491</b>
<b>EXPENSES</b>									
Functional and natural classified expenses:									
Mission grants	54,948	58,033	-	-	-	-	-	112,981	-
Grants to General assembly	-	16,319	-	-	-	-	-	16,319	-
Grants to Synod	-	5,345	-	-	-	-	-	5,345	-
Disbursement of special mission offerings	-	-	75,938	-	-	-	-	-	75,938
Operating expenses:									
Personnel costs	68,874	-	-	-	-	-	-	68,874	-
Office expenses	15,341	-	-	-	-	-	-	15,341	-
Presbytery meeting expenses	9,130	-	-	-	-	-	-	9,130	-
Presbytery committee expenses	3,059	-	-	-	-	-	-	3,059	-
Capital Outlay	1,291	-	-	-	-	-	-	1,291	-
Drop in Value of charitable gift annuity	-	-	-	-	-	-	2,252	-	2,252
Unrealized loss on investments	-	-	-	-	-	8,221	12,555	-	20,776
<b>TOTAL EXPENSES &amp; LOSSES</b>	<b>152,643</b>	<b>79,697</b>	<b>75,938</b>	<b>-</b>	<b>-</b>	<b>8,221</b>	<b>14,807</b>	<b>232,340</b>	<b>98,966</b>
<b>CHANGE IN NET ASSETS</b>	<b>44,128</b>	<b>(549)</b>	<b>(752)</b>	<b>246</b>	<b>197</b>	<b>5,090</b>	<b>(14,813)</b>	<b>44,022</b>	<b>(10,475)</b>
Net Assets, Beginning of Year	66,115	12,721	12,716	37,552	41,191	215,314	157,180	157,579	385,210
Net Assets, End of Year	\$ 110,243	\$ 12,172	\$ 11,964	\$ 37,798	\$ 41,388	\$ 220,404	\$ 142,367	\$ 201,601	\$ 374,735

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT.

**PRESBYTERY OF MACKINAC  
PETOSKEY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Operations**

The Presbytery of Mackinac is a regional governing body of the Presbyterian Church U.S.A. covering most of Michigan's Upper Peninsula and most of the 15 counties of the Northern portion of its Lower Peninsula. There are 39 Presbyterian Churches within this area.

The Presbytery's offices are located in the greater Petoskey, Michigan area.

**Basis of Accounting**

The Presbytery of Mackinac uses fund accounting to record its financial activity. The funds used are the Operating Fund, the Mission Fund and the Restricted Fund.

The Operating Fund is subject to budget oversight. Revenues to defray operating expenses and Presbytery mission projects are recorded in this Fund.

The Mission Fund is used to record receipt of contributions identified as basic mission contributions as well as receipt and disbursement of contributions designated for specific mission projects located outside of the Presbytery. Contributions for basic missions are allocated 73% to the Presbytery, 21% to the General Assembly and 6% to the Synod. The Presbytery's portion of the basic missions is transferred into the Operating Fund for mission projects within the Presbytery and other Presbytery costs.

The Restricted Fund is used primarily to record assets whose use is restricted by donors. In addition, the Fund is used to account for the Operating Fund's reserve and assets designated by the Presbyterian's governing bodies for specific purposes.

The Presbytery uses the cash basis of accounting whereby revenues are recorded when cash is received and expenses are recorded when cash is disbursed. Accordingly, expenditures for furniture and equipment are expensed as capital outlay costs. In exception to this general policy, investments are carried at market value as of the balance sheet date with annual changes in market value recorded as unrealized gains or losses. Further, any inter-fund receivables and payables are recognized as assets and liabilities of the appropriate fund, withheld payroll taxes are recorded as a liability until paid, and any amounts received or disbursed on behalf of others are recorded as payables or receivables until paid or collected.

Substantially all investments are in mutual funds that are subject to fluctuations of the investment markets. Accordingly, there is risk that changes in the value of investments may occur and that such changes could have a material adverse effect on the Presbytery's financial statements.

Due to a change in accounting standards that became effective for the Presbytery during 2018, the nomenclature of net assets has been changed. Under the new standard "without donor restrictions" replaces the unrestricted net asset classification. Further, both temporarily and permanently restricted net assets classification are combined and reported under the "with donor restrictions" classification.

**PRESBYTERY OF MACKINAC  
PETOSKEY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Net assets without donor restrictions can include both net assets with no donor restrictions and those designated by the Presbyter's board for specific purposes. Net assets with donor restrictions can include both donations that can be used for donor-specified purposes and those irrevocably placed in endowment funds with only the investment income available for the use as specified by the donor. Net assets held by the Presbyterian Foundation fall in this latter category.

**Investments & Loan Program, Inc.**

During a prior year, the Presbytery made a grant to one of its Churches to provide assistance in the purchase of land and/or construction of a new Church building. The remaining financing of the project was provided by the congregation and a loan from the Investment & Loan Program, Inc. of the Presbyterian Church (U.S.A).

To help secure this financing, the Presbytery was required to make an investment in the Investment & Loan Program Inc., in the amount of \$5,000. Earnings from this investment are reinvested. At December 31, 2018 the investment with reinvested earnings amounted to \$6,766.

**Investments with The New Covenant Mutual Funds**

Investment income from assets held by The New Covenant Mutual Funds is recorded as an addition to each individual fund held by this institution. Changes in market value are recorded as either unrealized gains or losses for each individual fund.

**Investments with Presbyterian Foundation**

Investments with the Presbyterian Foundation are those investments that have been irrevocably placed with the Foundation by donors for the benefit of the Presbytery. Since the placement is irrevocable, these assets, including any net investment earnings retained by the Foundation in accordance with its spending policy, are carried in the balance sheet of the Restricted Fund. These investments support the endowment funds reported in the net asset section of the balance sheet.

According to the Foundation's spending policy investment income distributed by the Foundation is computed prior to the beginning of each year. Under this policy, a percentage, determined by the Foundation, is applied to the value average value of an investment at the end of the prior twenty calendar quarters with an 18 month lag time. This lengthy period is used to compensate for market volatility and to permit time to compute the amount to be distributed.

**Net Assets**

Nets assets are identified as those without donor restrictions, those without donor restrictions but designated by the Presbytery's governing body for certain purposes, and those with donor restrictions. Nets assets without donor restrictions may be used as determined by the Presbytery's governing body. Net assets without donor restrictions but designated may be expended for the designated purpose. Donor restricted net assets include those restricted for the a purpose specified by the donor or they include donations to create

**PRESBYTERY OF MACKINAC  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

endowment funds. The corpus or principle of endowment funds is not spendable, however, earnings of the funds may be expended for the purpose stipulated by the donor.

Designated Net Assets: At December 31, 2018 designated net assets include \$30,595 designated for church development and \$10,793 designated for missions.

Net Assets With Donor Restrictions: Both the Mission Fund and the Restricted Fund have net assets with donor restrictions. The donor restrictions of the Mission Fund are purpose restrictions; those of the Restricted Fund include both amounts with purpose restrictions and endowment restrictions.

At December 31, 2018 purpose restricted net assets of the Mission Fund were comprised of the following:

Peacemaking:		
Presbytery		\$ 580
General Assembly		1,159
Synod		579
One Great Hour of Sharing		1,465
Christmas Joy		4,961
Theological education		632
Other validated causes		2,588
Total		<u>\$ 11,964</u>

The donor restricted nets assets of the Restricted Fund with purpose restrictions and endowment fund restrictions are comprised of the following as of December 31, 2018.

	Purpose Restricted	Endowment Funds	Total
Campus Ministry	\$ 43,679	\$ 35,465	\$ 79,144
Marilu Van Dam Memorial Scholarship Fund	13,308	30,809	44,117
Church development / Redevelopment Fund	137,160	74,718	211,878
Mawby Fund	-	1,375	1,375
Presbytery Point Camp Fund	4,921	-	4,921
COM Emergency Fund	10,207	-	10,207
Peacemaking	5,455	-	5,455
Mission Committee	2,475	-	2,475
Faith Journey Fund	1,134	-	1,134
Missionary in Residence	1,419	-	1,419
Lay Academy	646	-	646
Total	<u>\$ 220,404</u>	<u>\$ 142,367</u>	<u>\$ 362,771</u>



**PRESBYTERY OF MACKINAC  
PETOSKEY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contingencies**

One of the Churches within the Presbytery has borrowed money from the Investment & Loan Program, Inc. of the Presbyterian Church U.S.A to finance new construction and/or renovate its facilities. As a condition for obtaining this loan, the Presbytery co-signed the loan agreement. The aggregate amount borrowed was \$674,500. The unpaid balance at December 31, 2018 was approximately \$449,059.

At December 31, 2018 and July 16, 2019, the date these financial statements were prepared, the Presbytery has not been required to perform as a co-signer of these loans.

**Presbytery Offices**

The Presbytery owns its office, which is located in an office condominium complex near Petoskey, Michigan. Annual condominium dues were \$2,074 during 2018 and similar amounts, adjusted for inflation, are anticipated in future years.

**Medical Benefits**

Starting in August 2018, the Presbytery began providing medical benefits to one employee. The cost for the last five months of 2018 was \$2,460.

**NOTE 2 - INSURANCE**

The Presbytery has commercial insurance to protect against potential losses. Historically, losses have not exceeded insurance coverage.

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

Cash reported in the balance sheet consists of cash in checking and money market accounts at reputable banks and a brokerage firm. At December 31, 2018, the entire cash balance, with the exception of \$150 petty cash, is insured under either the bank's Federal Deposit Insurance Corporation (FDIC) coverage or the brokerage firm's Securities Investors Protection Corporation (SIPC) coverage.

**NOTE 4 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 16, 2019 the date on which the financial statements were available to be issued.