

PRESBYTERY OF ALASKA

Financial Statements

Year Ended December 31, 2009 and 2008

PRESBYTERY OF ALASKA

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Independent Accountants' Review Report

General Council – Finance Committee
Presbytery of Alaska
Juneau, Alaska

We have reviewed the accompanying statements of financial position of the Presbytery of Alaska (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended, in accordance with the Statements of Standards for Accounting and Review services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of the Presbytery of Alaska.

A review is consists primarily of inquires of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Altman, Rogers & Co.

August 5, 2010

PRESBYTERY OF ALASKA
 Statements of Financial Position
 December 31, 2009 and 2008

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Assets:		
Cash and cash equivalents	\$ 480,259	403,240
Accounts receivable, net	1,327	167
Accrued interest	9,092	-
Short term loan	6,000	-
Investments	539,580	688,022
Total assets	<u>\$ 1,036,258</u>	<u>1,091,429</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	465	6,441
Deferred revenue	11,900	7,072
Total liabilities	<u>12,365</u>	<u>13,513</u>
Net assets:		
Unrestricted	992,132	1,022,291
Temporarily restricted	31,761	55,625
Total net assets	<u>1,023,893</u>	<u>1,077,916</u>
Total liabilities and net assets	<u>\$ 1,036,258</u>	<u>1,091,429</u>

See accompanying notes to financial statements.

PRESBYTERY OF ALASKA

Statements of Activities

Year Ended December 31, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenues and support:						
Per capita assessments and pledges	\$ 166,185	-	166,185	100,392	-	100,392
Synod assistance	150,000	-	150,000	192,692	-	192,692
Contributions and offerings	38,064	-	38,064	45,414	-	45,414
Grants	2,225	-	2,225	12,928	-	12,928
Investment income (loss)	66,030	3,695	69,725	(65,929)	(4,733)	(70,662)
Net assets released from restriction	27,559	(27,559)	-	-	-	-
Miscellaneous	13,082	-	13,082	6,103	-	6,103
Total revenue and support	<u>463,145</u>	<u>(23,864)</u>	<u>439,281</u>	<u>291,600</u>	<u>(4,733)</u>	<u>286,867</u>
Expenses:						
Program expenses:						
Youth programs	43,965	-	43,965	20,957	-	20,957
Partnership programs	105,354	-	105,354	149,530	-	149,530
Mission programs	11,749	-	11,749	18,199	-	18,199
Management and general	332,236	-	332,236	189,974	-	189,974
Total expenses	<u>493,304</u>	-	<u>493,304</u>	<u>378,660</u>	-	<u>378,660</u>
Change in net assets	(30,159)	(23,864)	(54,023)	(87,060)	(4,733)	(91,793)
Net assets, beginning of year	1,022,291	55,625	1,077,916	1,109,351	60,358	1,169,709
Net assets, end of year	<u>\$ 992,132</u>	<u>31,761</u>	<u>1,023,893</u>	<u>1,022,291</u>	<u>55,625</u>	<u>1,077,916</u>

See accompanying notes to financial statements.

PRESBYTERY OF ALASKA

Statements of Cash Flows

Year Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (54,023)	(91,793)
Adjustments to reconcile increase (decrease) in net assets to net cash- provided by operating activities:		
Gain (loss) on investments	(31,766)	70,662
Increase in accounts receivable	(1,160)	50,562
Decrease in accounts payable	(5,976)	3,142
Increase in interest receivable	(9,092)	-
Increase in loans receivable	(6,000)	-
Increase in deferred revenue	4,828	4,572
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(103,189)</u>	<u>37,145</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	191,826	-
Purchase of investments	(11,618)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>180,208</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	77,019	37,145
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>403,240</u>	<u>366,095</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 480,259</u>	<u>403,240</u>

PRESBYTERY OF ALASKA

Notes to Financial Statements

December 31, 2009 and 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Presbytery of Alaska (the Presbytery) was organized September 14, 1884 and is a constituent presbytery of the Presbyterian Church (USA). The Presbytery is a nonprofit organization and is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of Presbyterian ministry throughout Southeast Alaska. The Presbytery is supported primarily through contributions from member churches, other presbyteries, the Synod of Alaska Northwest, and the Presbyterian Church (USA).

Basis of Accounting and Presentation

The Presbytery's accounting records are maintained on the accrual basis of accounting under which revenues are recognized when earned and expenses when incurred. The financial statement presentation follows accounting principles generally accepted in the United States of America.

The Presbytery is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent that portion of net assets of the Presbytery that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent net assets subject to donor-imposed restrictions that will be met either by actions of the organization or passage of time. Items that affect this net assets category are support or revenue for which the restrictions have not been met.

Permanently restricted net assets are subject to donor-imposed restrictions to be maintained permanently by the Presbytery. The Presbytery currently does not have any permanently restricted assets.

Income Tax Status

The Presbytery is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Although the Organization is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirements of filing Federal Income Tax Form 990T and a tax liability may be determined on these activities. The Presbytery's policy is to include penalties and interest associated with income taxes in income tax expense.

PRESBYTERY OF ALASKA

Notes to Financial Statements

December 31, 2009 and 2008

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Presbytery includes cash on deposit; cash on hand, certificates of deposits, and short-term investments with original maturities of three months or less, as cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Presbytery provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect their ability to meet their obligations. It is the Presbytery's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Investments

All investments are stated at fair value. The Presbytery's investments consist of money market funds marketable securities and mission development certificates. Fair value is determined by the quoted market value for the securities at year end, or the face value of the mission development certificates.

Investment income and gains

Investment income is derived from interest or dividends received during the year in addition to any unrealized gains or losses that may have been incurred during the year. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Accrued Interest

This interest is coming from the Mission Development certificates. It has accrued over time, but payment has yet to be received by the organization.

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. These estimates affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Restricted and Unrestricted Revenue

Revenue is recognized to the extent of allowable expenses incurred by the grant. Deferred revenue represents cash received in advance from grantors for which allowable costs have not been incurred.

PRESBYTERY OF ALASKA

Notes to Financial Statements, continued

Fair Value of Financial Instruments

The Presbytery must disclose its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its financial statements and derivative financial instruments.

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) investments, (3) receivables, net, (4) certain other current assets, (5) accounts payable and (6) other current liabilities. The carrying amounts reported in the balance sheets for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities, except for the Presbytery's investments. The carrying amounts of Presbytery's investments were determined based on quoted market prices.

II. INVESTMENTS

The Presbytery's investments consisted of the following as of December 31:

	<u>2009</u>	<u>2008</u>
Money market funds	\$ 25,359	183,551
Marketable securities	251,896	242,146
Mission development certificates	<u>262,325</u>	<u>262,325</u>
TOTAL	<u>\$ 539,580</u>	<u>688,022</u>

Included in investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or for certain bonds and preferred stock when carried at the lower of cost or market.

The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices are not available. The Presbytery does not have investments for which quoted market prices when available

PRESBYTERY OF ALASKA

Notes to Financial Statements, continued

The Presbytery's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect The Presbytery's estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following table provides information as of December 31, 2009 about The Presbytery's financial assets and liabilities measured at fair value on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets at fair value - 2009				
Investments	\$ <u>539,580</u>	<u>-</u>	<u>-</u>	<u>539,580</u>

Given the narrow definition of Level 1 and The Presbytery's investment asset strategy, all of The Presbytery's investment assets are classified in Level 1. Changes in investments are run through both the consolidated statement of activities as investment income.

PRESBYTERY OF ALASKA

Notes to Financial Statements, continued

Net Investment earnings for the year ended December 31 consisted of:

		<u>2009</u>	<u>2008</u>
Unrestricted:			
Interest income	\$	34,264	28,387
Unrealized gain/(loss)		<u>31,766</u>	<u>(94,316)</u>
Net	\$	<u>66,030</u>	<u>(65,929)</u>
Temporarily Restricted			
Interest income	\$	3,695	5,451
Unrealized gain/(loss)		<u>-</u>	<u>(10,184)</u>
	\$	<u>3,695</u>	<u>(4,733)</u>

III. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2009 and 2008 were \$31,761 and \$55,625, respectively. This represents the amount of cash receipts in excess of allowable expenses on private agencies and other donor-imposed restricted contributions.

Net assets temporarily restricted at years ended December 31 comprised of the following:

		<u>2009</u>	<u>2008</u>
Demmert Fund	\$	544	189
Jackman Leadership		5,569	4,546
Mirian Snow Mathes		22,943	20,007
NACC Fund		1,340	1,322
Elliott Lipson Memorial Fund		1,365	1,349
Fox Trust Fund		-	7,500
Rainbow Glacier Camp Building Fund		<u>-</u>	<u>20,712</u>
Total	\$	<u>31,761</u>	<u>55,625</u>

PRESBYTERY OF ALASKA

Notes to Financial Statements, continued

IV. DEFERRED REVENUE

The deferred revenue for Presbytery for years ended December 31 comprised of the following:

	<u>2009</u>	<u>2008</u>
Leadership Equipping Center	\$ 7,553	-
YAVVYM Grant	1,847	-
DVD Grant	<u>2,500</u>	<u>7,072</u>
Total	<u>\$ 11,900</u>	<u>7,072</u>

V. RETIREMENT ARRANGEMENT WITH STAFF EMPLOYEES

The Presbytery allows its employees the opportunity for participation in a voluntary, contributory retirement plan of their choice. Several members of the current staff of the Presbytery participate by contributing to a 403b retirement plan. There is no expense to the Presbytery under the arrangement.

VI. FUNCTIONAL EXPENSE ALLOCATION

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

VII. SHORT TERM RECEIVABLE

Presbytery of Alaska made an interest-free loan to Sitka First Presbyterian Church \$20,000 for necessary roof repairs. This amount was to be repaid in ten payments of \$2,000 each on the first day of each month, beginning June 1, 2009. As of December 31, 2009, Sitka First Presbyterian Church's outstanding balance due on the loan was \$6,000, full amount due within one year.

VIII. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 16, 2010, the date which the financial statements were available for issue. No events were identified that would require disclosure according to generally accepted accounting policies.