SALEM PRESBYTERY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2013 AND 2012

DANIEL PROFESSIONAL GROUP

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INDEPENDENT AUDITOR'S REPORT

To the Council of Salem Presbytery
Clemmons, North Carolina

We have audited the accompanying statements of financial position of Salem Presbytery (the "Presbytery") as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, cash flows, and the related notes to the financial statements for the years then ended.

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 the 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 audits 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 opinion on the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and 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 qualified audit opinion on the financial statements as of and for the year ended December 31, 2013 and our unmodified opinion on the financial statements as of and for the year ended December 31, 2012.

Basis for Qualified Opinion

As discussed in Note 10 to the financial statements, the Presbytery owns 33.33% of Camp Grier, a non-profit organization. The Presbytery accounts for this investment in the Presbytery's financial statements using the equity method of accounting. We were unable to determine that the Presbytery's accounting for its investment in Camp Grier in the Presbytery's December 31, 2013 financial statements was reasonably stated in accordance with accounting principles generally accepted in the United States of America because Camp Grier's December 31, 2013 financial statements were unaudited. We were unable to obtain by other audit procedures sufficient appropriate audit evidence about the reasonableness of the Presbytery's investment in Camp Grier in the Presbytery's December 31, 2013 financial statements in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion on 2013 and Unmodified Opinion on 2012

In our opinion, except for the possible effects of the matter discussed in the *Basis for Qualified Opinion* paragraph on the December 31, 2013 financial statements, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Salem Presbytery as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of agency transactions – Presbyterian mission receipts and disbursements on Page 21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of Presbytery's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Emphasis of a Matter

As discussed in Note 15 to the financial statements, Salem Presbytery serves as the guarantor for bank loans to certain Presbyterian churches that totaled $1,991,193 and $2,532,490 at December 31, 2013 and 2012, respectively. One or more loan defaults by any of the Presbyterian churches could result in a significant adverse effect on Salem Presbytery's financial position and ability to continue as a going concern. Our qualified opinion on the December 31, 2013 financial statements and unmodified opinion on the December 31, 2012 financial statements are not modified with respect to this matter.

THE DANIEL PROFESSIONAL GROUP, INC.

Winston-Salem, North Carolina
September 17, 2014

SALEM PRESBYTERY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

	2013	2012
Assets		
Cash and cash equivalents (Note 3):		
Cash and cash equivalents - operating	$ 160,673	$ 67,142
Cash and cash equivalents - investments (Note 4)	69,433	17,980
Designated cash (Note 5)	70,400	70,400
Total cash and cash equivalents	300,506	155,522
Receivables, net:		
Contributions receivable	100,759	118,975
Accounts receivable - other	2,305	727
Notes receivable, net (Note 6)	8,664	11,863
Total receivables, net	111,728	131,565
Investments (Note 7):		
Investments - unrestricted	1,051,849	777,716
Investments - temporarily restricted	169,266	440,485
Investments - permanently restricted	124,558	40,372
Total investments	1,345,673	1,258,573
Other assets:		
Prepaid expenses	4,371	5,780
Land held for sale (Note 8)	-	150,025
Property and equipment, net (Notes 9 and 11)	696,451	706,596
Investment in Camp Grier (Note 10)	45,127	53,328
Total other assets	745,949	915,729
Total assets	$ 2,503,856	$ 2,461,389
Liabilities and Net Assets		
Liabilities (Note 15):		
Accounts payable and accrued expenses	$ 82,653	$ 78,940
Capital lease obligation (Note 11)	14,358	1,553
Total liabilities	97,011	80,493
Net assets:		
Unrestricted:		
Undesignated	944,612	909,543
Designated (Note 12)	865,224	989,032
Total unrestricted	1,809,836	1,898,575
Temporarily restricted (Note 13)	472,910	441,840
Permanently restricted (Note 14)	124,099	40,481
Total net assets	2,406,845	2,380,896
Total liabilities and net assets	$ 2,503,856	$ 2,461,389

See independent auditor's report and notes to the financial statements.

SALEM PRESBYTERY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:				
net cash provided by (used in) operating activities:	$ 842,803	$ -	$ -	$ 842,803
Investment income, net (Note 7)	33,943	25,475	1,325	60,743
Program receipts	55,059	-	-	55,059
Gifts, grants, and legacies	87,653	263,368	82,293	433,314
Other income (Note 6)	1,885	-	-	1,885
	1,021,343	288,843	83,618	1,393,804
Net assets released from restrictions	257,773	(257,773)	-	-
			-	
Total support and revenues	1,279,116	31,070	83,618	1,393,804
Expenses:				
Program expenses	268,064	-	-	268,064
Supporting services:				
Salaries and related expenses (Note 16)	551,655	-	-	551,655
Other supporting expenses (Note 9)	530,410	-	-	530,410
Total expenses	1,350,129	-	-	1,350,129
(Decrease) increase in net assets from operating activities	(71,013)	31,070	83,618	43,675
Non-operating loss:				
Change in investment in Camp Grier (Note 10)	(8,201)	-	-	(8,201)
Loss on sale of land held for sale (Note 8)	(9,525)	-	-	(9,525)
Non-operating loss	(17,726)	-	-	(17,726)
(Decrease) increase in net assets	(88,739)	31,070	83,618	25,949
Net assets, beginning of year	1,898,575	441,840	40,481	2,380,896
Net assets, end of year	$ 1,809,836	$ 472,910	$ 124,099	$ 2,406,845

See independent auditor's report and notes to the financial statements.

SALEM PRESBYTERY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:				
net cash provided by (used in) operating activities:	$ 958,951	$ -	$ -	$ 958,951
Investment income, net (Note 7)	100,797	19,075	2,348	122,220
Program receipts	8,290	-	-	8,290
Gifts, grants, and legacies	41,746	264,576	-	306,322
Other income (Note 6)	702	-	-	702
	1,110,486	283,651	2,348	1,396,485
Net assets released from restrictions	200,844	(199,391)	(1,453)	-
Total support and revenues	1,311,330	84,260	895	1,396,485
Expenses:				
Program expenses	234,896	-	-	234,896
Supporting services:				
Salaries and related expenses (Note 16)	604,064	-	-	604,064
Other supporting expenses (Note 9)	474,302	-	-	474,302
Total expenses	1,313,262	-	-	1,313,262
(Decrease) increase in net assets from operating activities	(1,932)	84,260	895	83,223
Non-operating loss:				
Change in investment in Camp Grier (Note 10)	(7,679)	-	-	(7,679)
(Decrease) increase in net assets	(9,611)	84,260	895	75,544
Net assets, beginning of year	1,908,186	357,580	39,586	2,305,352
Net assets, end of year	$ 1,898,575	$ 441,840	$ 40,481	$ 2,380,896

See independent auditor's report and notes to the financial statements.

SALEM PRESBYTERY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2013	2012
Cash flows from operating activities:		
Increase in net assets	$ 25,949	$ 75,544
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	27,746	30,330
Change in allowance for doubtful accounts	-	1,670
Loss on disposal of capital lease asset	3,723	-
Other income (Note 6)	9,525	-
Investments earnings reinvested	(30,546)	(75,761)
Realized gains on investments	-	(364)
Unrealized losses (gains) on investments	23,802	(46,797)
Change in investment in Camp Grier (Note 10)	8,201	7,679
Other, net	-	1,352
(Increase) decrease in:		
Receivables	19,837	(12,600)
Prepaid expenses	1,409	(2,401)
Increase (decrease) in accounts payable and accrued expenses	3,713	(50,735)
Net cash provided by (used in) operating activities	93,359	(72,083)
Cash flows from investing activities:		
Purchases of investments	(83,505)	(57,688)
Property and equipment, net (Notes 9 and 11)	3,149	56,572
Net proceeds from sale of land held for sale	140,500	-
Purchases of property and equipment	(5,395)	(5,762)
Net cash provided by (used in) investing activities	54,749	(6,878)
Cash flows from financing activities - capital leases payments	(3,124)	(4,533)
Net increase (decrease) in cash and cash equivalents	144,984	(83,494)
Cash and cash equivalents, beginning of year	155,522	239,016
Cash and cash equivalents, end of year	$ 300,506	$ 155,522

Supplemental Schedules of Cash Flow Information

	2013	2012
Interest paid	$ 562	$ 169

Supplemental Schedules of Non-Cash Investing Activity

	2013	2012
Copy machine capitalized as property and equipment in exchange for capital lease obligation	$ 15,929	$ -

See independent auditor's report and notes to the financial statements.

SALEM PRESBYTERY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 – Nature of activities

Salem Presbytery (the "Presbytery") is a not-for-profit organization established under the laws of the State of North Carolina and operates as a religious organization. Salem Presbytery is called to fulfill the mission and governing responsibilities given by Christ, as interpreted by the Constitution of the Presbyterian Church (U.S.A.). The Presbytery is a non-profit corporation consisting of all the Presbyterian churches and ministers in northwestern North Carolina.

NOTE 2 – Summary of significant accounting policies

The Presbytery's significant accounting policies are summarized below to assist the reader in reviewing the financial statements.

Basis of accounting

The Presbytery's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded in the periods when earned and expenses are recorded in the periods when incurred.

Financial statement presentation

The Presbytery reports information regarding its financial position and activities using three classes of net assets as follows:

Unrestricted net assets are presently available for use at the Presbytery's discretion. Designated unrestricted net assets are designated by the Presbytery Council for specific purposes. Such designations are not considered restrictions because the designations may be reversed by the Council and they do not alter the nature of any unrestricted contributions.

Temporarily restricted net assets are subject to donor-imposed stipulations which will be met either by actions of the Presbytery or by the passage of time.

Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Presbytery. Income earned on these investments is used by the Presbytery based on the donor-imposed stipulations and/or may be used for unrestricted purposes absent donor-imposed stipulations.

Cash and cash equivalents

The Presbytery considers all cash accounts and all highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Contributions and contributions receivable

Contributions and unconditional promises to give are recorded as contributions receivable and revenues when made or the promise is conveyed, whichever is earlier. Contributions of assets other than cash are recorded at estimated fair value on the donation date. Contributions received with donor stipulations that restrict the use of the assets and promises to give that are receivable in future periods are reported as temporarily restricted revenue. When the use or time restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Permanently restricted contributions are maintained in perpetuity by the Presbytery. Income earned on these contributions is used by the Presbytery based on the donor-imposed stipulations and/or may be used for unrestricted purposes absent donor-imposed stipulations.

Notes receivable, net

Notes receivable consist of the Presbytery's loans to churches within the Presbytery's jurisdiction. Interest income is recognized in accordance with terms of each notes receivable contract. Management reviews each note receivable balance on a periodic basis to determine if experience and other circumstances that could affect collectability indicate, in management's judgment, that an allowance is needed. The accrual of interest income on notes receivable ceases upon management's determination that the principal balance and any accrued interest is uncollectible.

Investments

Investments consist primarily of assets invested in marketable equity securities, and money-market accounts. Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. Investment income or loss, including realized or unrealized gains and losses on investments and interest and dividends, is included in the change in unrestricted net assets unless the donor restricts the income or loss. Realized gains and losses are determined using the specific identification method.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment policy

The Presbytery Council's investment policy is to invest in assets that would produce results exceeding the investments' purchase prices and incur significant yields of return, while assuming moderate levels of investment risk. The Presbytery Council expects its endowment funds over time to provide reasonable rates of return. To satisfy the long-term rate-of-return objective, the Presbytery Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Presbytery Council maintains an asset allocation that places a greater emphasis on marketable equity and money-market accounts to achieve its long-term return objectives within prudent risk constraints.

Fair value measurements

Fair values for assets and liabilities are determined by using one of the following valuation measurements: quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); or significant unobservable inputs (Level 3). Observable inputs reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity, while unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Cash and cash equivalents, receivables, accounts payable and accrued expenses, and capital lease obligations are financial instruments with carrying amounts that approximate fair value because of the short maturity of those instruments.

Property and equipment, net

Property and equipment are carried at cost. Donated property and equipment items are recorded at fair market value on the date received. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

Endowments

The Presbytery follows the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as enacted by the State of North Carolina and its own governing documents.

The Presbytery Council has interpreted the enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Presbytery classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Presbytery has adopted investment and spending policies, approved by the Presbytery's Council, for each endowment asset that attempts to preserve principal.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level the donors require the Presbytery to retain as permanently restricted. Deficiencies of this nature result from unfavorable market fluctuations and are included in unrestricted net assets.

Income taxes

The Presbytery is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code (the "Code"). Accordingly, no provision for income taxes is reflected in the accompanying financial statements. Qualifying contributions to the Presbytery are tax deductible.

The Presbytery evaluates all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than not" threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified during 2013 and 2012.

Agency transactions

The Presbytery acts as an agent or intermediary between churches within its jurisdiction and the Synod of the Mid-Atlantic and General Assembly. All revenues and expenses have been netted for financial statement presentation purposes.

Estimates and assumptions

The preparation of financial statements in accordance 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Presbytery has evaluated subsequent events and transactions for potential recognition or disclosure through September 17, 2014 which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.

Reclassifications

Certain reclassifications have been made in the 2012 financial statements to conform to the 2013 presentation. These reclassifications had no effect on the Presbytery's 2012 financial statements presented as a whole.

NOTE 3 – Cash and cash equivalents concentration

The Presbytery maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (the "FDIC"). At times, cash and cash equivalents on deposit in a single financial institution may exceed the $250,000 FDIC limit. At December 31, 2013, there were no uninsured cash and cash equivalents on deposit in financial institutions.

NOTE 4 – Cash and cash equivalents – investments

Cash and cash equivalents in investment accounts were designated for the following net assets classifications at December 31,

	2013	2012
Unrestricted	$ 64,986	$ 16,516
Temporarily restricted	4,426	1,355
Permanently restricted	21	109
	$ 69,433	$ 17,980

NOTE 5 – Designated cash

At December 31, 2013 and 2012, the Presbytery had $70,400 investment cash at Presbyterian Church (U.S.A.) Investment and Loan Program, Inc. (the "PILP") designated to help congregations within the Presbytery to obtain favorable loan rates with the PILP. The Presbytery's designated cash amounts may be withdrawn at any time; however, withdrawals of the designated cash may result in increased loan rates for affected churches.

NOTE 6 – Notes receivables, net

Notes receivables, net consisted of the following at December 31,

	2013	2012
Notes receivable	$ 96,587	$ 99,786
Notes receivable allowance	(87,923)	(87,923)
	$ 8,664	$ 11,863

Notes receivable consisted of loans, including accrued interest, to two churches at December 31, 2013 and 2012. At December 31, 2013, the note receivable from one church that is making payments in accordance with the terms of the loan agreement has an interest rate of 4.5% and matures May 15, 2016 (the "Active Note Receivable"). The Presbytery considers the note receivable and accrued interest receivable from another church uncollectible and has established a bad debt reserve of $87,923 at December 31, 2013 and 2012 to cover 100% of the outstanding principal and accrued interest receivable.

Interest income included in other income for the Active Note Receivable was approximately $700 for each of the years ended December 31, 2013 and 2012.

Principal maturities for the Active Note Receivable are $3,349 for the year ending December 31, 2014, $3,502 for the year ending December 31, 2015, and $1,813 for the year ending December 31, 2016.

NOTE 7 – Investments

A summary of investments at December 31, 2013 is as follows:

	Cost	Fair Value	Unrealized Gains (Losses)
Fixed income and equity securities	$1,290,130	$1,248,696	$ (41,434)
Mutual funds	85,354	96,977	11,623
	$1,375,484	$1,345,673	$ (29,811)

A summary of investments at December 31, 2012 is as follows:

	Cost	Fair Value	Unrealized Gains (Losses)
Fixed income and equity securities	$1,175,287	$1,170,070	$ (5,217)
Mutual funds	80,430	88,503	8,073
	$1,255,717	$1,258,573	$ 2,856

The fair value hierarchy of the Presbytery's investments at December 31, 2013 is as follows:

	Fair Value	Fair Value Measurements		
		Level 1	Level 2	Level 3
Fixed-income and equity securities	$1,248,696	$1,248,696	$ -	$ -
Mutual funds	96,977	96,977	-	-
	$1,345,673	$1,345,673	$ -	$ -

The fair value hierarchy of the Presbytery's investments at December 31, 2012 is as follows:

	Fair Value	Fair Value Measurements		
		Level 1	Level 2	Level 3
Fixed-income and equity securities	$1,170,070	$1,170,070	$ -	$ -
Mutual funds	88,503	88,503	-	-
	$1,258,573	$1,258,573	$ -	$ -

For the year ended December 31, 2013, net investment income consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 71,588	$ 6,270	$ 179	$ 78,037
Realized and unrealized net gains	(37,645)	19,205	1,146	(17,294)
	$ 33,943	$ 25,475	$ 1,325	$ 60,743

For the year ended December 31, 2012, net investment income consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 67,929	$ 7,440	$ 1,679	$ 77,048
Realized and unrealized net gains	32,868	11,635	669	45,172
	$ 100,797	$ 19,075	$ 2,348	$ 122,220

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 changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported on the statement of financial position.

Investments maintained at brokerage firms are protected up to $500,000 and cash and cash equivalents are protected up to $250,000 by the Securities Investor Protection Corporation ("SIPC"). The SIPC insures against the loss or theft of securities as well as the failure or insolvency of a brokerage firm. The insurance does not apply to losses related to market risk.

At December 31, 2013 and 2012, New Covenant Mutual Funds with a market value of $96,977 and $88,503, respectively, were uninsured.

NOTE 8 – Land held for sale

Land held for sale was located in the Lake Jeanette area of Greensboro, North Carolina and had a fair value of $150,025 after recognizing an impairment loss of $75,000 in 2011. During the year ended December 31, 2013, the Presbytery sold the land for $150,000 and incurred selling expenses of $9,500. The Presbytery received net proceeds of $140,500 and recognized a net loss of $9,525 on the land sale.

Land held for sale was carried at fair value on a recurring basis as noted below at December 31, 2012:

	Level 1	Level 2	Level 3
Land held for sale	$ -	$ -	$ 150,025

The following is a reconciliation of land held for sale beginning and ending balances using Level 3 techniques for the years ended December 31,

	2013	2012
Beginning balance	$ 150,025	$ 150,025
Land sale	(150,025)	-
Ending balance	$ -	$ 150,025

NOTE 9 – Property and equipment, net

Property and equipment, net are comprised of the following at December 31,

	2013	2012
Land and improvements	$ 264,156	$ 264,156
Buildings and improvements	591,477	591,477
Furniture, equipment, and vehicles	125,166	122,456
	980,799	978,089
Less accumulated depreciation	(284,348)	(271,493)
	$ 696,451	$ 706,596

Included in furniture, equipment, and vehicles are copiers financed under lease agreements classified as capital leases (see **Note 11**). At December 31, 2013, a leased copier had a cost of $15,929 and accumulated depreciation of $3,186. At December 31, 2012, a leased copier had a cost of $18,614 and accumulated depreciation of $14,891.

Depreciation expense included in other supporting expenses was $27,746 and $30,330 for the years ended December 31, 2013 and 2012, respectively.

NOTE 10 – Investment in Camp Grier

The Presbytery owns a 1/3 investment interest in Camp Grier, a non-profit organization. The remaining ownership resides with the presbyteries of Western North Carolina and Charlotte. The Presbytery accounts for this investment using the equity basis of accounting.

During the year ended December 31, 2013, the Presbytery's management elected to account for its investment in Camp Grier using unaudited financial statements the Presbytery received from Camp Grier. The December 31, 2013 unaudited financial statements did not include a statement of cash flows.

Camp Grier's financial statements for the year ended December 31, 2012 were audited by another auditor whose report dated April 16, 2013 expressed an unmodified opinion on those financial statements.

Pertinent financial information for Camp Grier is as follows for the years ended December 31,

	(Unaudited) 2013	(Audited) 2012
Statements of Financial Position:		
Total assets	$ 191,721	$ 215,172
Liabilities	$ 56,337	$ 55,185
Net assets	135,384	159,987
Total liabilities and net assets	$ 191,721	$ 215,172
Statements of Activities:		
Revenues	$ 381,771	$ 385,861
Expenses	406,373	408,896
Net loss	($ 24,602)	($ 23,035)
Statements of Cash Flows:		
Net cash used in provided by operating activities	$ -	($ 32,280)
Net cash used in investing activities	$ -	($ 12,509)
Net (decrease) increase in cash and cash equivalents	$ -	($ 44,789)

During the year ended December 31, 2013, the Presbytery recognized an $8,201 unaudited loss in the Presbytery's financial statements for the net change in the Presbytery's investment in Camp Grier.

During the year ended December 31, 2012, the Presbytery recognized a $7,679 audited loss in the Presbytery's financial statements for the net change in the Presbytery's investment in Camp Grier.

The Presbytery paid subsidies of $0 and $32,000 to Camp Grier during the years ended December 31, 2013 and 2012, respectively.

NOTE 11 – Capital lease obligations

During the year ended December 31, 2013, the Presbytery leased a copier under a lease agreement classified as a capital lease that matures January 6, 2018. Monthly lease payments, including imputed interest at 5.66% and excluding North Carolina sales tax, are $305. Interest expense under the capital lease obligation was approximately $755 for the year ended December 31, 2013. The leased copier with a cost of $15,929 is included in furniture, equipment, and vehicles at December 31, 2013 (see **Note 9**). The leased copier had a net book value of $12,743 at December 31, 2013.

Future minimum lease payments for the capital lease obligation are as follows for the years ending December 31,

2014	$ 3,658
2015	3,658
2016	3,658
2017	3,658
2018	1,525
Future minimum lease payments	16,157
Less amounts representing interest	(1,799)
Capital lease obligation	$14,358

During the year ended December 31, 2012, the Presbytery leased a copier under a lease agreement classified as a capital lease that was replaced with the new leased copier described above on January 7, 2013. Monthly lease payments, including imputed interest at 4.14% and excluding North Carolina sales tax, were $392. Interest expense under the capital lease obligation was approximately $166 for the year ended December 31, 2012. The leased copier with a cost of $18,614 was included in furniture, equipment, and vehicles at December 31, 2012 (see **Note 9**). The leased copier had a net book value of $3,723 at December 31, 2012.

NOTE 12 – Designated net assets

Designated net assets are available for the following purposes at December 31,

	2013	2012
New church development	$ 408,991	$ 532,142
Capital improvements	172,336	173,784
Operations	150,000	150,000
Campus ministry	12,949	12,158
Other work of Presbytery	120,948	120,948
	$ 865,224	$ 989,032

NOTE 13 – Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at December 31,

	2013	2012
New church development	$ 1,333	$ 1,333
Missions and evangelism (including appropriated endowment earnings	170,169	153,133
Hunger programs	121,641	126,635
Campus ministry	761	30,887
Other work of Presbytery	179,006	129,852
	$ 472,910	$ 441,840

NOTE 14 – Permanently restricted net assets

The Presbytery's permanently restricted net assets consisted of $124,099 and $40,481 endowments at December 31, 2013 and 2012, respectively.

Permanently restricted net assets are available for the following purposes as of December 31,

	2013	2012
Mission and evangelism	$ 92,031	$ 31,466
Other programs	32,068	9,015
	$ 124,099	$ 40,481

NOTE 15 – Loan guarantees

During the year ended December 31, 2013, the Presbytery guaranteed six Presbyterian Church Investment and Loan Program, Inc. ("PCILP") loans and one loan from a financial institution to certain Presbyterian churches with principal balances that totaled $1,991,193 at December 31, 2013.

During the year ended December 31, 2012, the Presbytery guaranteed seven PCILP loans and one loan from a financial institution to certain Presbyterian churches with principal balances that totaled $2,532,490 at December 31, 2012.

The Presbytery becomes liable for the unpaid principal balance, accrued interest, and costs, if any, for each instance in which a Presbyterian church defaults on its loan obligations. PCILP and the financial institution determined that none of the loans the Presbytery guaranteed were in default through September 17, 2014, the date these financial statements were available to be issued.

NOTE 16 – Retirement plan

The employees of the Presbytery participate in a defined contribution retirement plan administered by the Board of Pensions of the Presbyterian Church (U.S.A.). The Presbytery's contributions are equal to 11% of the annual salary of participating employees. During the years ended December 31, 2013 and 2012, the Presbytery's contributions to the plan totaled $43,214 and $45,803, respectively.

SALEM PRESBYTERY
SCHEDULE OF AGENCY TRANSACTIONS - PRESBYTERIAN MISSION RECEIPTS AND DISBURSEMENTS
YEAR ENDED DECEMBER 31, 2013

Presbyterian Mission receipts from churches and disbursements to affiliates:

Per capita giving	$	38,944
Expenses - per capita giving		(38,944)
	$	-
Selected giving	$	19,417
Expenses - missionary support		(19,417)
	$	-
Special offerings	$	77,189
Expenses:		
Christmas joy offering		(19,762)
Pentecost giving		(10,494)
One great hour of sharing		(42,603)
Thanksgiving offering		(727)
Mother's/Father's Day		(1,148)
Other special offerings		(2,455)
	$	-
Validated causes	$	35,413
Expenses:		
Property and equipment, net (Notes 9 and 11)		(18,826)
Disaster relief		(9,944)
Other validated causes		(6,643)
	$	-

See independent auditor's report.