

NEW DETROIT, INC.
FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

NEW DETROIT, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

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**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
New Detroit, Inc.

We have audited the accompanying financial statements of New Detroit, Inc. (a Michigan not-for-profit Corporation), which comprise the statement of financial position as of December 31, 2012, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

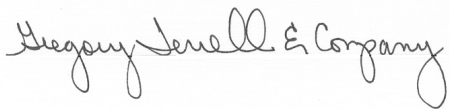
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Detroit, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the New Detroit, Inc.'s 2011 financial statements, and our report dated April 30, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in black ink on a light-colored background.

GREGORY TERRELL & COMPANY

Certified Public Accountants
August 14, 2013

NEW DETROIT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and Cash Equivalents (Note 2 and 3)	\$ 2,298,706	\$ 3,150,700
Pledges and Accounts Receivable (Net) (Note 4)	229,728	192,212
Prepaid Expenses	<u>31,360</u>	<u>35,916</u>
Total Current Assets	\$ 2,559,794	\$ 3,378,828
Property and Equipment (Net) (Note 5)	52,387	76,944
Investment-Endowment Fund (Note 6 and 7)	<u>57,610</u>	<u>53,588</u>
Total Assets	<u>\$ 2,669,791</u>	<u>\$ 3,509,360</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 59,349	\$ 65,996
Fiduciary Deposits Payable (Note 8)	596,876	1,448,582
Liability for Pension Benefits, Current Portion (Note 10)	<u>483,325</u>	<u>296,035</u>
Total Current Liabilities	\$ 1,139,550	\$ 1,810,613
Long-Term Liabilities		
Liability for Pension Benefits, Net of Current Portion (Note 10)	\$ 1,983,074	\$ 1,586,082
Total Long-Term Liabilities	<u>\$ 1,983,074</u>	<u>\$ 1,586,082</u>
Total Liabilities	\$ 3,122,624	\$ 3,396,695
Net Assets		
Unrestricted	\$ (681,856)	\$ (111,239)
Temporarily Restricted (Note 9)	<u>229,023</u>	<u>223,904</u>
Total Net Assets	<u>\$ (452,833)</u>	<u>\$ 112,665</u>
Total Liabilities and Net Assets	<u>\$ 2,669,791</u>	<u>\$ 3,509,360</u>

The accompanying notes are an integral part of this statement.

NEW DETROIT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
PUBLIC SUPPORT AND REVENUE				
New Detroit Fund Pledges	\$ 653,120	\$ 216,000	\$ 869,120	\$ 885,675
Contributions and Grants	632,680	80,000	712,680	672,158
Annual Dinner	226,330	-	226,330	229,050
Investment Income	3,377	-	3,377	4,834
Net Realized and Unrealized Gains and (Losses) on Investments	4,551	-	4,551	(1,481)
Other income	7,640	-	7,640	4,840
Net Assets Released from Restrictions (Note 9)	<u>290,881</u>	<u>(290,881)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>\$ 1,818,579</u>	<u>\$ 5,119</u>	<u>\$ 1,823,698</u>	<u>\$ 1,795,076</u>
EXPENSES				
Program Services:				
Economic Equity	\$ 256,083	\$ -	\$ 256,083	\$ 295,726
Racial Justice and Cultural Collaboration	339,846	-	339,846	374,828
Youth Development and Education	260,845	-	260,845	442,932
Community Capacity Building	<u>267,299</u>	<u>-</u>	<u>267,299</u>	<u>347,881</u>
Total Program Services	<u>\$ 1,124,073</u>	<u>\$ -</u>	<u>\$ 1,124,073</u>	<u>\$ 1,461,367</u>
Supporting Services:				
Management and General	\$ 546,363	\$ -	\$ 546,363	\$ 530,974
Fundraising	252,585	-	252,585	259,589
Communications	<u>69,183</u>	<u>-</u>	<u>69,183</u>	<u>73,351</u>
Total Supporting Services	<u>\$ 868,131</u>	<u>\$ -</u>	<u>\$ 868,131</u>	<u>\$ 863,914</u>
Total Operating Expenses	<u>\$ 1,992,204</u>	<u>\$ -</u>	<u>\$ 1,992,204</u>	<u>\$ 2,325,281</u>
Other Expenses (Revenue):				
Gain on Disposition of Fixed Assets	\$ -	\$ -	\$ -	\$ (7,375)
Pension-Related Charges Other than Net Periodic Pension Cost (Note 10)	<u>396,992</u>	<u>-</u>	<u>396,992</u>	<u>749,040</u>
Total Other Expenses (Revenue)	<u>\$ 396,992</u>	<u>\$ -</u>	<u>\$ 396,992</u>	<u>\$ 741,665</u>
Change in Net Assets	\$ (570,617)	\$ 5,119	\$ (565,498)	\$ (1,271,870)
NET ASSETS , Beginning of Year	<u>(111,239)</u>	<u>223,904</u>	<u>112,665</u>	<u>1,384,535</u>
NET ASSETS , End of Year	<u>\$ (681,856)</u>	<u>\$ 229,023</u>	<u>\$ (452,833)</u>	<u>\$ 112,665</u>

The accompanying notes are an integral part of this statement.

NEW DETROIT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total</u>	<u>Total</u>
	<u>Economic Equity</u>	<u>Racial Justice and Cultural Collaboration</u>	<u>Youth Development and Education</u>	<u>Community Capacity Building</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Communications</u>	<u>2012</u>	<u>2011</u>
Employee Compensation:									
Salaries	\$ 101,340	\$ 171,948	\$ 112,568	\$ 134,758	\$ 286,263	\$ 125,774	\$ 23,827	\$ 956,478	\$ 1,175,515
Fringe Benefits	33,641	59,124	44,330	50,218	96,172	27,550	1,988	313,023	316,051
Payroll Taxes	6,657	12,487	7,866	9,701	38,696	9,068	1,456	85,931	109,425
Total Employee Compensation	\$ 141,638	\$ 243,559	\$ 164,764	\$ 194,677	\$ 421,131	\$ 162,392	\$ 27,271	\$ 1,355,432	\$ 1,600,991
Other Expenses:									
Program Initiatives	381	7,173	4,019	-	-	-	-	11,573	65,495
Discretionary Grants	360	5,060	5,920	-	954	-	-	12,294	10,900
Occupancy	42,741	47,627	45,359	38,795	54,431	-	-	228,953	234,079
Professional Fees	24,579	3,709	2,442	3,117	27,961	1,136	-	62,944	79,040
Program Grants	6,599	-	11,074	-	-	-	-	17,673	13,300
Annual Dinner Expense	-	-	-	-	-	78,715	-	78,715	97,210
Publications and Promotions	-	-	-	-	-	-	41,250	41,250	40,664
Office Supplies	7,782	11,319	8,377	9,716	15,327	3,967	122	56,610	58,660
Conferences	18,227	2,223	4,135	4,860	234	806	153	30,638	15,270
Telephone	1,126	1,531	1,073	1,336	2,294	883	94	8,337	14,396
Meetings and Committee Expenses	1,388	2,233	1,510	1,909	3,102	825	30	10,997	10,816
Insurance	3,970	6,617	4,356	5,560	8,980	2,026	-	31,509	28,970
Repairs and Maintenance	1,122	1,870	1,231	1,571	2,537	572	-	8,903	7,426
Dues and Subscriptions	722	569	532	613	1,621	1,263	263	5,583	6,324
Interest Expense	-	-	-	-	-	-	-	-	444
Miscellaneous	-	-	-	-	525	-	-	525	375
Total Expenses Before Depreciation	\$ 250,635	\$ 333,490	\$ 254,792	\$ 262,154	\$ 539,097	\$ 252,585	\$ 69,183	\$ 1,961,936	\$ 2,284,360
Depreciation (Note 5)	5,448	6,356	6,053	5,145	7,266	-	-	30,268	40,921
Total Expenses	\$ 256,083	\$ 339,846	\$ 260,845	\$ 267,299	\$ 546,363	\$ 252,585	\$ 69,183	\$ 1,992,204	\$ 2,325,281

The accompanying notes are an integral part of this statement.

NEW DETROIT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (565,498)	\$ (1,271,870)
Adjustments to Reconcile Change in Net Assets to net Cash Provided (Used) by Operating Activities		
Depreciation	30,268	40,921
Gain on Disposition of Fixed Assets	-	(7,375)
Net Unrealized (Gains) Losses on Investments	(4,551)	1,481
(Increase) Decrease in Pledges and Accounts Receivable	(37,516)	64,350
Decrease (Increase) in Prepaid Expenses	4,556	(14,552)
(Decrease) Increase in Accounts Payable and Accrued Expenses	(6,647)	659
(Decrease) Increase in Fiduciary Deposits Payable	(851,706)	769,937
Increase in Liability for Pension Benefits	<u>584,282</u>	<u>822,475</u>
Net Cash (Used for) Provided by Operating Activities	<u>\$ (846,812)</u>	<u>\$ 406,026</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Disposition of Investments	\$ 529	\$ 373
Disposition of Fixed Assets		10,959
Acquisition of Fixed Assets	<u>(5,711)</u>	<u>(3,511)</u>
Net Cash (Used for) Provided by Investing Activities	<u>\$ (5,182)</u>	<u>\$ 7,821</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Leases Payable	<u>\$ -</u>	<u>\$ (15,302)</u>
Net Cash Used for Financing Activities	<u>\$ -</u>	<u>\$ (15,302)</u>
(Decrease) Increase in Cash and Cash Equivalents	<u>\$ (851,994)</u>	<u>\$ 398,545</u>
CASH AND CASH EQUIVALENTS, Beginning of year	<u>3,150,700</u>	<u>2,752,155</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 2,298,706</u></u>	<u><u>\$ 3,150,700</u></u>
Supplemental Disclosure:		
Interest paid	<u>\$ -</u>	<u>\$ 444</u>

The accompanying notes are an integral part of this statement.

NEW DETROIT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

(1) NATURE OF OPERATIONS

New Detroit, Inc. (the "Corporation") is a community based resource center providing social, economic, educational and technical assistance to communities located in Southeast Michigan. The Corporation's principal source of revenue is from pledges, grants, and other forms of contributions made to the New Detroit Campaign fund, managed and operated by the United Way of Southeast Michigan.

The Corporation provides the following program services to communities:

Economic Equity – To identify and eliminate institutional barriers in the development of businesses owned by people of color. To increase the number of procurement contracts awarded to these businesses. To significantly increase the overall income levels of people of color; and to support initiatives that expose young people to entrepreneurship.

Racial Justice and Cultural Collaboration – To enhance interracial and intercultural cooperation and interaction among diverse racial and culture groups throughout the Metropolitan Detroit area; to eliminate policies, practices, and behaviors that tend to exclude people of color from management and key governance positions within corporations and institutions; as well as to address issues of racial relations and cultural collaboration.

Youth Development and Education – To support the involvement of all citizens, especially parents, in local schools; to better meet the learning and development needs of students; to provide leadership and direction for the restructuring of the administration of Detroit Public Schools; and to support the process of evaluating the overall performance of the Detroit Public Schools System.

Community Capacity Building – To improve the way community-based organizations carry out their mission and goals without losing sight of what makes their organization unique; to effectively assist communities and faith-based organizations; to build, strengthen, and enhance the human and organizational capacity to meet the needs of their communities; to create and expand initiatives designed to professionalize the management and staff of communities and faith-based organizations.

NEW DETROIT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and are in conformity with the industry audit guide for Audits of Voluntary Health and Welfare Organizations published by the American Institute of Certified Public Accountants.

New Detroit, Inc. has adopted FASB codification, "Financial Statements of Not-for-Profit Organizations". The accompanying financial statements have been prepared to conform with the requirements of FASB codification.

Financial Statement Presentation

The Corporation reports 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.

Recognition of Contributions

In accordance with the FASB codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Tax Exempt Status

The Corporation has been classified by the Internal Revenue Service ("IRS") as a not-for-profit organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Additionally, the Corporation has been classified by the IRS as an organization that is not a private foundation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all short-term securities purchased with maturities of three months or less to be cash equivalents.

NEW DETROIT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

(2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed assets are carried at cost or, if donated, at fair market value at the time of the donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from five to ten years. The Corporation's policy is to capitalize acquisitions of five hundred dollars or more.

Functional Allocation of Expenses

Direct expenses, which can be clearly defined as incurred for a specific program, are charged to that program. The Corporation allocates common expenses to program and supporting services based on time studies conducted by management. The Corporation did not conduct any activities for which joint costs were allocated between fund raising expenses and program services or management and general expenses.

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 during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The Corporation uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The Corporation utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize that use of unobservable inputs. Additionally, the Corporation applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. The FASB codification establishes a framework for measuring fair value, which includes a hierarchy based on the quality of inputs used to measure fair value, and provides specific disclosure requirements based on the hierarchy. The FASB codification requires the categorization of financial assets and liabilities, based on the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The various levels of the FASB codification fair value hierarchy are described as follows:

NEW DETROIT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

(2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Corporation has the ability to access.
- *Level 2* – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.
- *Level 3* – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The FASB Codification requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

(3) CONCENTRATIONS OF RISK

Concentration of Credit Risk

Financial instruments which can potentially subject the Corporation to concentrations of credit risk consist principally of cash, cash equivalents, pledges and accounts receivable. The Corporation's cash is located in two institutions; the cash on deposit in each of these institutions exceeds the \$250,000 federally insured limit. The Corporation's pledges receivable are principally due from the general public through the New Detroit Fund Campaign.

NEW DETROIT, INC.
NOTES TO THE FINANCIAL STATEMENTS
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(WITH COMPARATIVE TOTALS FOR 2011)

(4) PLEDGES AND ACCOUNTS RECEIVABLE

The New Detroit Fund year begins on April 1 and ends on March 31 of the following calendar year. Therefore, included in pledges receivable as of December 31, 2012 are pledges received but not collected as of December 31, 2012 for the fund year ended March 31, 2013.

	<u>2012</u>	<u>2011</u>
Pledges Receivable:		
NDF Pledges for March 31, 2012	\$ -	\$ 160,000
NDF Pledges for March 31, 2013	216,000	-
Accounts Receivable	<u>21,008</u>	<u>39,492</u>
 Total Pledges and Accounts Receivable	 \$ 237,008	 \$ 199,492
 Less: Allowance for Doubtful Pledges and Accounts	 (7,280)	 (7,280)
 Pledges and Accounts Receivable, Net	 <u>\$ 229,728</u>	 <u>\$ 192,212</u>

Collections of New Detroit Fund pledges during 2012 and 2011 were as follows:

	<u>Amount Collected</u>	
	<u>2012</u>	<u>2011</u>
Pledge year ended March 31:		
2011	\$ -	\$ 828,000
2012	<u>813,000</u>	<u>-</u>
 Total Collected	 <u>\$ 813,000</u>	 <u>\$ 828,000</u>

NEW DETROIT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

(5) PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended December 31, 2012 is presented below:

	Beginning of Year	Additions	Retirements/ Impairments	End of Year
Leasehold Improvements	\$ 112,037	\$ -	\$ -	\$ 112,037
Furniture and Equipment	252,358	5,711	-	258,069
Leased Equipment	30,108	-	-	30,108
	<u>394,503</u>	<u>5,711</u>	<u>-</u>	<u>400,214</u>
Subtotal	\$ 394,503	\$ 5,711	\$ -	\$ 400,214
Less Accumulated Depreciation	<u>317,559</u>	<u>30,268</u>	<u>-</u>	<u>347,827</u>
Total Net	<u>\$ 76,944</u>	<u>\$ 24,557</u>	<u>\$ -</u>	<u>\$ 52,387</u>

(6) INVESTMENTS

The Corporation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2012, and December 31, 2011, are summarized as follow:

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Fair Value at Reporting Date	
				2012	2011
Investment in Endowment Fund	\$ -	\$ -	\$ 57,610	\$ 57,610	\$ 53,588
Cash and Cash Equivalents	<u>2,298,706</u>	<u>-</u>	<u>-</u>	<u>2,298,706</u>	<u>\$ 3,150,700</u>
Total	<u>\$ 2,298,706</u>	<u>\$ -</u>	<u>\$ 57,610</u>	<u>\$ 2,356,316</u>	<u>\$ 3,204,288</u>

NEW DETROIT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

(6) INVESTMENTS (CONTINUED)

The fair value reconciliation of the Corporation's Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2012 is as follows:

	Endowment Fund
Beginning Balance 1/01/2012	\$ 53,588
Total Gains and Losses (Realized/Unrealized) included in the Statement of Activities	4,551
Purchases, Issuances and Settlements	(529)
Ending Balance 12/31/2012	\$ 57,610
Unrealized Gain (Loss) from Assets still held at December 31, 2012	\$ 4,551

(7) CHARITABLE ENDOWMENT FUND

The Corporation has established the New Detroit Race Relations Fund (the "Endowment Fund") as a component fund of the Community Foundation for Southeast Michigan (the "Foundation"). The Endowment Fund is an asset of the Foundation. The Foundation transfers earnings on the Endowment Fund to the Corporation periodically in the form of grants so long as the Corporation continues to meet its tax-exempt purpose. In accordance with the FASB Codification, the portion of the Endowment Fund that was funded by the Corporation, plus net earnings on that balance, represent a reciprocal transfer and are therefore included in the Corporation's financial statements.

The fair value of the Endowment Fund as of December 31, 2012 and 2011, and the portion included in the Corporation's investments, are as follows:

	2012	2011
Fair Value of the Endowment Fund	\$ 90,134	\$ 83,842
Portion of Endowment Fund included in the Financial Statements:		
Unrestricted	\$ 57,610	\$ 53,588

NEW DETROIT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

(7) CHARITABLE ENDOWMENT FUND (CONTINUED)

Reconciliations of the fair value of Endowment Fund assets included in the Corporation's financial statements as of December 31, 2012 and summarized for 2011 are as follows:

	Unrestricted	
	2012	2011
Changes in Endowment Fund Assets:		
Net Realized and Unrealized Gains (Losses)	\$ 4,551	\$ (1,481)
Less: Administrative Expenses	(529)	(373)
Net Increase (Decrease) in Endowment Fund Assets	4,022	(1,854)
Endowment Fund Assets, Beginning of Year	53,588	55,442
Endowment Fund Assets, End of Year	<u>\$ 57,610</u>	<u>\$ 53,588</u>

(8) FIDUCIARY DEPOSITS

The Corporation acts as a fiduciary for several other non-profit organizations. As such, the Corporation receives contributions from various funding sources on behalf of its client organizations. These funds are held in a fiduciary capacity until they are disbursed. Under the FASB codification, the Corporation reports amounts received and not disbursed on behalf of its clients as Cash and Cash Equivalents and Fiduciary Deposits Payable. Activity in Fiduciary Deposits Payable for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Balance, Beginning of Year	\$ 1,448,582	\$ 678,645
Funds Received as a Fiduciary	1,117,734	1,436,500
Funds Disbursed as a Fiduciary	(1,969,440)	(666,563)
Balance, End of Year	<u>\$ 596,876</u>	<u>\$ 1,448,582</u>

NEW DETROIT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

(9) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of December 31, 2012 and 2011 for the following purposes and periods:

	<u>2012</u>	<u>2011</u>
Restricted for program activities:		
Economic Equity	\$ 119	\$ -
Youth Development and Education	10,075	75
Community Capacity Building	<u>2,829</u>	<u>2,829</u>
Total Restricted for Programs	\$ 13,023	\$ 2,904
Restricted for use in future periods	<u>216,000</u>	<u>221,000</u>
Total Temporarily Restricted Net Assets	<u>\$229,023</u>	<u>\$223,904</u>

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	<u>2012</u>	<u>2011</u>
Purpose Restrictions accomplished for the following programs:		
Economic Equity	\$ 49,881	\$ -
Youth Development and Education	20,000	15,000
Community Capacity Building	<u>-</u>	<u>36,902</u>
	\$ 69,881	\$ 51,902
Time Restrictions expired by passage of specified time	<u>221,000</u>	<u>215,000</u>
Total Released from Restrictions	<u>\$ 290,881</u>	<u>\$ 266,902</u>

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(10) PENSION PLANS

The Corporation has a noncontributory defined benefit pension plan (“pension plan”) and a voluntary defined contribution retirement plan under IRC section 401(k) (“savings plan”). Under the savings plan, all employees are eligible to participate upon hire and are eligible for employer discretionary matching contributions after completing one year of service. The Corporation’s contributions to the savings plan for the year ended December 31, 2012 totaled \$57,324.

In 2012, the Corporation made a decision to suspend their quarterly 2012 pension plan contributions and have filed Form 10 with the Pension Benefit Guaranty Corporation notifying them of that decision. In addition, the Corporation sent notices to all the pension plan participants regarding the suspension of quarterly pension plan contributions (see Note 14).

The pension plan, formerly pooled, was amended and restated effective January 1, 1980. On September 30, 2007, the plan was closed to new employees. FASB Codification requires that employers recognize the overfunded or underfunded status of a pension plan as an asset or liability in the financial statements; and to recognize the changes in that funded status in the year in which the changes occur.

As of December 31, 2012 and 2011, the plan’s funded status is as follows:

	<u>2012</u>	<u>2011</u>
Fair Value of Plan Assets	\$ 3,396,454	\$ 3,529,768
Projected Benefit Obligation	<u>5,862,853</u>	<u>5,411,885</u>
Overfunded/(Underfunded) Status	<u>\$ (2,466,399)</u>	<u>\$ (1,882,117)</u>
Accumulated Benefit Obligation	<u>\$ 5,862,853</u>	<u>\$ 5,411,885</u>

The amount of employer contributions and benefit payments:

	<u>2012</u>	<u>2011</u>
Employer Contributions	\$ 13,848	\$ 105,000
Benefit Payments	253,731	173,138

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(10) PENSION PLANS (CONTINUED)

The amounts recognized in the statement of financial position as a liability as of December 31, 2012 and 2011 are \$2,466,399 and \$ 1,882,117, respectively. It is at least reasonably possible that the Corporation's liability for pension benefits could differ materially in the near term from the amount recorded December 31, 2012.

Future benefit payments are expected to be paid as follows:

2013	\$ 294,332
2014	315,893
2015	315,969
2016	317,170
2017	316,153
2017-2021	1,761,801

There will be no contributions made to the pension plan during 2013.

Amounts not yet recognized as components of net periodic benefit costs as of December 31, 2012 are as follows:

Net Loss	\$ 1,983,074
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Amounts expected to be recognized in net periodic benefit cost during the year ending December 31, 2013 are as follows:

Amortization of Net Loss	\$ 56,274
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Weighted-average assumptions used in the measurement of the Corporation's benefit obligation as of December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Discount Rate	3.75%	4.25%
Expected Return on Plan Assets	4.25%	3.00%
Rate of Compensation Increase	N/A	N/A

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(10) PENSION PLANS (CONTINUED)

The overall expected long-term rate of return on assets was determined by using historical rates of return for the plan's investments.

Pension-related costs other than net periodic pension cost consist of the following for the year ended December 31, 2012:

Actuarial Gains	\$ (54,499)
Reclassifications to Net Periodic Benefit Cost of amounts previously recognized but not included in Periodic Benefit Cost	451,491
	\$ 396,992

(11) LEASES

The Corporation leases office space under a noncancelable operating lease. Total rental expense was \$ 228,953 and \$ 234,079 in 2012 and 2011, respectively.

Future minimum lease payments are as follow:

	Operating Lease
2013	\$ 218,310
2014	184,322
Minimum Future Lease Payments	\$ 402,632

(12) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not in detail in a statement of functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements as of, and for the year ended, December 31, 2011, from which the summarized information was derived.

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(13) ONGOING OPERATIONS

For the year ended December 31, 2012, the Corporation's Statement of Financial Position reflects an accumulated net deficit of \$452,833 due to unfunded pension liabilities. Currently, the Corporation is in the process of filing a Distress Termination requesting that the Pension Benefit Guaranty Corporation (PBGC) take over its defined benefit pension plan (the "Plan"). If the Plan is accepted by the PBGC, the Corporation's accumulated net deficit will be eliminated. Excluding pension related costs, the Corporation had positive cash flow for 2012. Adjustments have been made to reduce expenses which include salary reductions, staff layoffs, and organizational restructuring. However, due to the ongoing unfunded pension liability, the Corporation still had an accumulated net deficit at year end 2012. The Corporation will continue to look for opportunities to reduce expenses and attract funding sources for general operations.

(14) SUBSEQUENT EVENTS

On June 6, 2013, the Board of Trustees authorized the termination of the Corporation's Defined Benefit Pension Plan effective July 31, 2013, and approved the filing of a Distress Termination with the Pension Benefit Guaranty Corporation requesting them to take over the plan (see Note 10).

Subsequent events have been evaluated through August 14, 2013, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.