DETROIT BAPTIST UNION

FINANCIAL REPORT

DECEMBER 31, 2011

HUNGERFORD & CO. Certified Public Accountants

A Professional Corporation

DETROIT BAPTIST UNION

FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Detroit Baptist Union
Southfield, Michigan 48075

We have audited the accompanying statements of financial position of Detroit Baptist Union (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Detroit Baptist Union as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hungerford & Co.

February 27, 2012

DETROIT BAPTIST UNION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

	2011	2010
ASSETS		
Cash and Cash Equivalents	$ 78,661	$ 190,183
Investments	703,999	799,966
Interest Receivable	4,572	2,081
Notes Receivable	650,076	508,627
Prepaid Insurance	1,747	1,709
TOTAL ASSETS	$ 1,439,055	$ 1,502,566
LIABILITIES		
Payables	$ 3,125	$ 5,063
Accrued Expenses	756	749
Total Liabilities	3,881	5,812
NET ASSETS		
Unrestricted	1,435,174	1,496,754
TOTAL LIABILITIES AND NET ASSETS	$ 1,439,055	$ 1,502,566

See accompanying notes.

DETROIT BAPTIST UNION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

	2011 Unrestricted	2010 Unrestricted
REVENUE, GAINS AND OTHER SUPPORT		
Interest and Dividend Income	$ 48,967	$ 58,015
Interest - Prior Periods	-	10,137
Realized Gain on Investments	19,580	23,879
Unrealized Gain on Investments	-	44,769
Total Revenue, Gains and Other Support	68,547	136,800
EXPENSES		
Administrative	25,869	16,511
Advisor Fees	5,968	6,310
Property Expense	3,503	(366)
Grants	34,595	27,250
Special Project Grants	18,183	17,768
Insurance	1,700	1,717
Total Expenses	89,818	69,190
LOSSES		
Realized Losses on Investments	-	3,849
Unrealized Losses on Investments	35,309	-
Provision for Loan Losses	5,000	-
Total Losses	40,309	3,849
INCREASE (DECREASE) IN NET ASSETS	(61,580)	63,761
NET ASSETS AT BEGINNING OF YEAR	1,496,754	1,432,993
NET ASSETS AT END OF YEAR	$ 1,435,174	$ 1,496,754

See accompanying notes.

DETROIT BAPTIST UNION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	$ (61,580)	$ 63,761
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used by) Operating Activities		
Realized and Unrealized Gain on Investments	(19,580)	(68,647)
Realized and Unrealized Losses on Investments	35,309	3,849
Provision for Loan Losses	5,000	-
(Increase) Decrease in		
Interest Receivable	(2,491)	7,830
Prepaid Insurance	(38)	26
Payables	(1,938)	(1,438)
Accrued Expenses	7	(6)
Net Cash Provided by (Used by) Operating Activities	(45,311)	5,375
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	80,238	40,199
Purchase of Investments	-	(40,000)
Loan Advances - Notes Receivable	(239,000)	(14,000)
Loan Repayments - Notes Receivable	92,551	140,013
Net Cash Provided by (Used by) Investing Activities	(66,211)	126,212
Net Increase (Decrease) in Cash and Equivalents	(111,522)	131,587
CASH AND EQUIVALENTS - BEGINNING OF YEAR	190,183	58,596
CASH AND EQUIVALENTS - END OF YEAR	$ 78,661	$ 190,183

See accompanying notes.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION'S ACTIVITY -

Detroit Baptist Union (the "Organization") is a Michigan nonprofit organization. The Organization makes loans and receives payments on mortgage loans and notes receivable. The money received is invested to produce income for other Baptist organizations under the Organization's tax-exempt purpose.

FINANCIAL STATEMENT PRESENTATION -

The Organization 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. The Organization has no net assets temporarily restricted or permanently restricted.

PROMISE TO GIVE -

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CONTRIBUTED SERVICES -

The value of contributed services did not meet the requirements for recognition in the financial statements.

CONTRIBUTIONS -

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

STATEMENT OF CASH FLOWS -

For the purpose of the presentation of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments with maturity of three months or less to be cash equivalents.

INVESTMENTS -

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level I measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

NOTES RECEIVABLE -

Notes receivable are reported at their outstanding principal balances. A provision for losses on loans is charged to earnings when, in the opinion of management, such losses may occur. In making that determination, management evaluated the financial condition of the borrowers, the estimated value of the underlying collateral, and current economic conditions. Notes receivable are placed on a nonaccrual basis when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are imparied or collection of interest is doubtful. While management uses the best information available to make evaluations, adjustments to the allowance may be necessary if conditions differ substantially from the assumptions used in making the evaluations.

USE OF ESTIMATES -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SUBSEQUENT EVENTS -

The Organization has evaluated subsequent events through February 27, 2012, the date which the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, 2011 and 2010, the bank balances (without recognition of outstanding checks or deposits in transit) was $85,794 and $193,790, respectively, of which $84,188 and $183,647, respectively, was covered by the Federal Depository Insurance Corporation.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The Organization measured fair value of using Level 1 inputs (quoted market prices in active markets for identical assets) because they generally provide the most reliable evidence of fair value. It was not necessary to use any Level 2 and Level 3 inputs.

Fair value of assets measured on a recurring basis at December 31, 2011 and 2010 are as follows:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	$ 146,309	$ 144,559	$ 129,222	$ 158,011
US Government Securities	150,300	155,411	180,577	185,970
Debt Securities	97,067	101,697	127,553	128,913
Equity Securities	287,383	302,332	304,365	327,072
Total	$ 681,059	$ 703,999	$ 741,717	$ 799,966

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Investment income is composed of the following for the years ended December 31, 2011 and 2010, respectively:

	2011	2010
Interest and Dividends	$ 16,536	$ 18,088
Net Realized Gain	19,580	20,030
Net Unrealized Gain (Loss)	(35,309)	44,769
	$ 807	$ 82,887

The following tabulation summarized the relationship between cost and fair values of the investment assets:

	Cost	Fair Value	Excess of Fair Value Over Cost
Balance at Beginning of Year	$ 741,717	$ 799,966	$ 58,249
Balance at End of Year	681,059	703,999	22,940

NOTE 4 - NOTES RECEIVABLE

	2011	2010
First Mortgage Loans	$ 269,484	$ 143,083
Other Secured Loans	39,569	-
Land Contracts	261,176	272,911
Unsecured Loans	84,847	92,633
	655,076	508,627
Allowance for Losses on Loans	(5,000)	-
	$ 650,076	$ 508,627

NOTE 5 - NON-PROFIT CORPORATION STATUS

The Organization has received determination by the Internal Revenue Service as a non-profit corporation under the laws of the State of Michigan. Accordingly, there is no capital stock outstanding.

NOTE 6 - INCOME TAX STATUS

The Organization is a non-profit corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE 7 - CONTINGENT RECEIVABLE

During 2011 the American Baptist Churches of Michigan deeded the Camp Lael property back to the Organization and the Organization discharged its $700,000 first mortgage loan. At a simultaneous closing the Organization deeded the Camp Lael property to Camp Lael. The Organization now has a contingent receivable from Camp Lael. There is a non-interest bearing promissory note for $1,250,000 secured by a first mortgage on the Camp Lael property. The promissory note provides for payment only if Camp Lael transfers its total or partial interest in the mortgaged property, goes out of existence, fails to maintain adequate insurance, violates any Federal or State of Michigan laws, ceases its affiliation with the American Baptist Churches of Michigan or the Organization, fails to maintain the camp in good condition and repair, or discontinues the camp programming.

In addition, the Organization has several other contingent receivables based on reversionary clauses of deeds of certain properties.

NOTE 8 - RELATED PARTY TRANSACTIONS

Members of the Board of Directors must also be a member of a church who is part of the Metropolitan Detroit Association of American Baptist Churches. Notes include loans made to churches that have a member who is also a member of the Board of Directors.