

DETROIT BAPTIST UNION
FINANCIAL REPORT
DECEMBER 31, 2010

HUNGERFORD & CO. Certified Public Accountants

A Professional Corporation

DETROIT BAPTIST UNION

FINANCIAL REPORT

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A Professional Corporation

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, 2010 and 2009, 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, 2010 and 2009, 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.

March 7, 2011

DETROIT BAPTIST UNION
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31,

| | <u>2010</u> | <u>2009</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 190,183 | \$ 58,596 |
| Investments | 799,966 | 735,367 |
| Interest Receivable | 2,081 | 9,911 |
| Notes Receivable | 508,627 | 634,639 |
| Prepaid Insurance | <u>1,709</u> | <u>1,735</u> |
| TOTAL ASSETS | <u>\$ 1,502,566</u> | <u>\$ 1,440,248</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Payables | \$ 5,063 | \$ 6,500 |
| Accrued Expenses | <u>749</u> | <u>755</u> |
| Total Liabilities | 5,812 | 7,255 |
| NET ASSETS | | |
| Unrestricted | <u>1,496,754</u> | <u>1,432,993</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,502,566</u> | <u>\$ 1,440,248</u> |

See notes to financial statements.

DETROIT BAPTIST UNION
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31,

| | <u>2010</u> <u>Unrestricted</u> | <u>2009</u> <u>Unrestricted</u> |
|---|------------------------------------|------------------------------------|
| REVENUE, GAINS AND OTHER SUPPORT | | |
| Interest and Dividend Income | \$ 58,015 | \$ 34,756 |
| Interest - Prior Periods | 10,137 | - |
| Realized Gain on Investments | 23,879 | - |
| Unrealized Gain on Investments | 44,769 | 89,483 |
| Rental Income | - | 8,250 |
| Gain of Sale of Property | - | 177 |
| | <hr/> | <hr/> |
| Total Revenue, Gains and Other Support | 136,800 | 132,666 |
| EXPENSES | | |
| Administrative | 16,511 | 21,604 |
| Advisor Fees | 6,310 | 5,681 |
| Depreciation Expense | - | 6,857 |
| Property Expense | (366) | 6,624 |
| Grants | 27,250 | 36,000 |
| Special Project Grants | 17,768 | 16,890 |
| Insurance | 1,717 | 2,195 |
| | <hr/> | <hr/> |
| Total Expense | 69,190 | 95,851 |
| LOSSES | | |
| Realized Losses on Investments | <hr/> 3,849 | <hr/> 7,530 |
| INCREASE IN NET ASSETS | 63,761 | 29,285 |
| NET ASSETS AT BEGINNING OF YEAR | <hr/> 1,432,993 | <hr/> 1,403,708 |
| NET ASSETS AT END OF YEAR | <hr/> \$ 1,496,754 | <hr/> \$ 1,432,993 |

See notes to financial statements.

DETROIT BAPTIST UNION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in Net Assets | \$ 63,761 | \$ 29,285 |
| Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities | | |
| Realized and Unrealized Gain on Investments | (68,647) | (89,483) |
| Realized and Unrealized Losses on Investments | 3,849 | 7,530 |
| Depreciation and Amortization | - | 6,857 |
| Gain on Sale of Property | - | (177) |
| (Increase) Decrease in | | |
| Interest Receivable | 7,830 | 105 |
| Prepaid Insurance | 26 | 3,494 |
| Payables | (1,438) | (62) |
| Accrued Expenses | (6) | 44 |
| Security Deposit | - | (750) |
| | <u>5,375</u> | <u>(43,157)</u> |
| Net Cash Provided (Used) by Operating Activities | | |
| | <u>5,375</u> | <u>(43,157)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale of Investments | 40,199 | 48,595 |
| Purchase of Investments | (40,000) | (40,000) |
| Sale of Property | - | 293,320 |
| Loan Advances - Notes Receivable | (14,000) | (352,955) |
| Loan Repayments - Notes Receivable | <u>140,013</u> | <u>33,402</u> |
| | <u>126,212</u> | <u>(17,638)</u> |
| Net Cash Provided (Used) by Investing Activities | | |
| | <u>126,212</u> | <u>(17,638)</u> |
| Net Increase (Decrease) in Cash and Equivalents | 131,587 | (60,795) |
| CASH AND EQUIVALENTS - BEGINNING OF YEAR | <u>58,596</u> | <u>119,391</u> |
| CASH AND EQUIVALENTS - END OF YEAR | <u>\$ 190,183</u> | <u>\$ 58,596</u> |

See notes to financial statements.

DETROIT BAPTIST UNION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

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 1 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.

NOTES RECEIVABLE -

Notes receivable are reported at their outstanding principal balances. Notes receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. In making that determination, management evaluated the financial condition of the borrowers, the estimated value of the underlying collateral, and current economic conditions.

DETROIT BAPTIST UNION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

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

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 March 7, 2011, the date which the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, 2010 and 2009, the bank balances (without recognition of outstanding checks or deposits in transit) were \$193,790 and \$92,813, respectively, of which \$183,647 and \$79,852, respectively, was covered by the Federal Depository Insurance Corporation.

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Organization attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3 – Unobservable inputs that are not corroborated by market data

Fair values of assets measured on a recurring basis at December 31, 2010 and 2009 are as follows:

| | <u>2010</u> | | <u>2009</u> | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Mutual Funds | \$ 129,222 | \$ 158,011 | \$ 108,717 | \$ 133,346 |
| US Government Securities | 180,577 | 185,970 | 170,601 | 174,502 |
| Debt Securities | 127,553 | 128,913 | 145,657 | 142,504 |
| Equity Securities | <u>304,365</u> | <u>327,072</u> | <u>296,911</u> | <u>285,015</u> |
| Total | <u>\$ 741,717</u> | <u>\$ 799,966</u> | <u>\$ 721,886</u> | <u>\$ 735,367</u> |

DETROIT BAPTIST UNION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Investment income is composed of the following for the years ended December, 31, 2010 and 2009, respectively:

| | 2010 | 2009 |
|--------------------------|------------------|-------------------|
| Interest and Dividends | \$ 18,088 | \$ 19,244 |
| Net Realized Gain (Loss) | 20,030 | (7,530) |
| Net Unrealized Gain | 44,769 | 89,483 |
| | \$ 82,887 | \$ 101,197 |

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 | \$ 721,887 | \$ 735,367 | \$ 13,480 |
| Balance at End of Year | 741,717 | 799,966 | 58,249 |

NOTE 4 - NON-PROFIT CORPORATION STATUS

The Organization has received determination from 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 5 - 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 6 - CONTINGENT RECEIVABLE

The Organization has a contingent receivable with American Baptist Churches of Michigan. There is a non-interest bearing promissory note for \$700,000 secured by a first mortgage on the Camp Lael property. The promissory note provides for payment only upon sale of the property, discontinuance of the camping program or dissolution or bankruptcy of American Baptist Churches of Michigan.

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

NOTE 7 - 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.