DETROIT BAPTIST UNION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

with

REVIEW REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

DETROIT BAPTIST UNION

TABLE OF CONTENTS

	Page No.
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES	3
STATEMENT OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5-9

CARNAGHI & SCHWARK, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
UPTON PROFESSIONAL BUILDING
30435 GROESBECK HIGHWAY
ROSEVILLE, MICHIGAN 48066

Anthony L. Carnaghi, CPA
Douglas W. Schwark, CPA

(586) 779-8010
FAX (586) 771-8970

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Detroit Baptist Union

We have reviewed the accompanying financial statements of Detroit Baptist Union (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope that an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Carnaghi + Schwark, PLLC

August 17, 2018
Roseville, MI

DETROIT BAPTIST UNION
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

	2017
Current assets:	
Cash and cash equivalents	$ 29,473
Investments	843,229
Interest receivable	7,131
Notes receivable	613,765
Prepaid insurance	1,098
Total current assets	1,494,696
Total Assets	$ 1,494,696

LIABILITIES AND NET ASSETS

	2017
Liabilities	
Payables	$ 339
Scholarship fund	1,500
Total Liabilities	1,839
Net Assets	
Unrestricted	1,492,857
Total Liabilites and Net Assets	$ 1,494,696

See accompanying notes.

DETROIT BAPTIST UNION
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2017

	2017 Unrestricted
Revenue, Gains and Other Support	
Interest on notes receivable	$ 32,226
Interest and dividend income	14,939
Loan fees and charges	1,541
Other donation	1,000
Realized gain on investments	35,314
Unrealized gain on investments	78,256
Total Revenue, Gain and Other Support	163,276
Expenses	
Administrative	10,092
Advisor fees	8,373
Grants	64,000
Special project grants	23,703
Insurance	1,086
Total Expenses	107,254
Losses	
Provision for loan losses	10,000
Total Losses	10,000
Increase in net assets	46,022
Net assets at beginning of year	1,446,835
Net assets at end of year	$ 1,492,857

See accompanying notes.

DETROIT BAPTIST UNION
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2017

		Amount 2017
Cash flows from operating activities		
Increase (Decrease) in net assets	$	46,022
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used by) operating activities		
Realized and unrealized gain on investments		(113,570)
Provision for loan losses		10,000
(Increase) Decrease in		
Interest receivable		(4,058)
Prepaid insurance		(10)
Increase (Decrease) in		
Payables		338
Scholarship fund		1,000
Net cash provided by (used by) operating activities		(60,278)
Cash flows from investing activites		
Net increase due to investment activity		33,443
Loan advances - notes receivable		(62,146)
Loan repayments - notes receivable		81,729
Net cash provided by (used by) investing activities		53,026
Net increase (decrease) in cash and cash equivalents		(7,252)
Cash and cash equivalents at beginning of year		36,725
Cash and cash equivalents at end of year	$	29,473

See accompanying notes.

Note 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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 to provide funds for other Baptist organizations under the Organization's tax-exempt purpose.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 or permanently restricted.

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.

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.

Note 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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, and collection effort that the loans are impaired, or collection of interest is doubtful. The Organization carries an allowance for losses that is netted with Notes Receivable on the accompanying statement of financial position. 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.

Date of Management's Review

The Organization has evaluated subsequent events through August 17, 2018, the date which the financial statements were available to be issued.

Note 2 – CASH AND CASH EQUIVALENTS

At December 31, 2017, the bank balances (without recognition of outstanding checks or deposits in transit) was $36,529, of which $36,529 was covered by the Federal Depository Insurance Corporation.

Note 3 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the hierarchy under FASB ASC 820 are described as follows:

- Level 1 inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2 inputs to the methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017			
Short-Term Investments	$ 13,715	$ -	$ -
Debt Securities	248,555	-	
Equity Securities	580,959	-	-
	$ 843,229	$ -	$ -

Note 3 – FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes the relationship between cost and fair values of the assets held for investment at December 31, 2017:

	Cost	Fair Value	Excess of Fair Value Over Cost
Balance at End of Year	$ 794,584	$ 843,229	$ 48,645

Note 4 – NOTES RECEIVABLE

The Organization makes loans to various churches. The breakdown of the loans by type are as follows:

	2017
First Mortgage Loans	$ 377,245
Other Secured Loans	24,207
Land Contracts	218,217
Unsecured Loans	9,096
	628,765
Allowance for Losses on Loans	(15,000)
Total Notes Receivable	$ 613,765

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. The Organization has evaluated its tax positions for all open tax years. The Organization is not currently under audit nor has the Organization been contacted by any jurisdiction. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the year ended December 31, 2015.

The Organization's tax returns are subject to examination generally up to four years after the filing date.

Note 6 – 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 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 a member of the Board of Directors.