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To the Board Members
Detroit Baptist Union
PO Box 531144
Livonia, MI 48153

In planning and performing our audit of the financial statements of Detroit Baptist Union ("DBU") as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered internal control over Detroit Baptist Union's financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DBU's internal control. Accordingly, we do not express an opinion on the effectiveness of DBU's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore material weaknesses or significant deficiencies may exist that were not identified. However as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with the governance. We consider the following deficiency in DBU's internal control to be a significant deficiency.

Segregation of Duties –

The treasurer currently enters all invoices, receives and opens the mail, records all receipts, prepares deposits and reconciles the bank account and is the only one with access to the QuickBooks file. We recommend separating these duties among two or three people.

This communication is intended solely for the information and use of management, Board Members, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Board for the opportunity to serve as auditors for Detroit Baptist Union. Please contact us if you have any questions regarding these or any other matters.

Sincerely,

Mattina, Kent & Gibbons, P.C.

MATTINA, KENT & GIBBONS, P.C.
Lapeer, MI

November 4, 2016

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November 4, 2016

To the Board Members
Detroit Baptist Union
PO Box 531144
Livonia, MI 48153

We have audited the financial statements of Detroit Baptist Union for the year ended December 31, 2014, and have issued our report thereon dated November 4, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 15, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Detroit Baptist Union are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no significant estimates.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 4, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board and management of Detroit Baptist Union and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Mattina, Kent, & Gibbons, P.C.

MATTINA, KENT & GIBBONS, P.C.
Lapeer, MI

**DETROIT BAPTIST UNION
LIVONIA, MICHIGAN**

**FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2014**

DETROIT BAPTIST UNION

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6 - 9

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Detroit Baptist Union
P.O. Box 531144
Livonia, MI 48153

We have audited the accompanying financial statements of Detroit Baptist Union (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities 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 Detroit Baptist Union as of December 31, 2014, 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.

Mattina, Kent & Gibbons, P.C.

MATTINA, KENT & GIBBONS, P.C.
Lapeer, MI

November 4, 2016

FINANCIAL STATEMENTS

DETROIT BAPTIST UNION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

	<u>2014</u>
ASSETS	
Cash and Cash Equivalents	\$ 14,817
Investments	686,066
Interest Receivable	1,455
Notes Receivable	801,168
Prepaid Insurance	<u>1,294</u>
TOTAL ASSETS	<u><u>\$ 1,504,800</u></u>
LIABILITIES	\$ -
NET ASSETS	
Unrestricted	<u>1,504,800</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,504,800</u></u>

The accompanying notes are an integral part of the financial statements.

**DETROIT BAPTIST UNION
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2014**

	2014 <u>Unrestricted</u>
REVENUE, GAINS AND OTHER SUPPORT	
Interest on Notes Receivable	\$ 28,850
Interest and Dividend Income	21,307
Loan Fees and Charges	1,250
Realized Gain on Investments	2,395
Unrealized Gain on Investments	<u>33,548</u>
Total Revenue, Gains and Other Support	<u>87,350</u>
 EXPENSES	
Administrative	16,807
Advisor Fees	4,030
Property Expense	(5,000)
Grants	68,950
Special Project Grants	11,449
Insurance	<u>1,606</u>
Total Expense	<u>97,842</u>
 INCREASE (DECREASE) IN NET ASSETS	 (10,492)
 NET ASSETS AT BEGINNING OF YEAR	 <u>1,515,292</u>
 NET ASSETS AT END OF YEAR	 <u><u>\$ 1,504,800</u></u>

The accompanying notes are an integral part of the financial statements.

**DETROIT BAPTIST UNION
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2014**

	2014
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ (10,492)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash (Used by) Operating Activities	
Realized and Unrealized Gain on Investments	(35,943)
(Increase) Decrease in	
Interest Receivable	2,600
Prepaid Insurance	(1,294)
Net Cash (Used by) Operating Activities	(45,129)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Increase in Investment Accounts	38,858
Loan Advances - Notes Receivable	(159,837)
Loan Repayments - Notes Receivable	68,122
Net Cash Provided by (Used by) Investing Activities	(52,857)
Net (Decrease) in Cash and Equivalents	(97,986)
CASH AND EQUIVALENTS - BEGINNING OF YEAR	112,803
CASH AND EQUIVALENTS - END OF YEAR	\$ 14,817

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

DETROIT BAPTIST UNION
NOTES TO THE FINANCIAL STATEMENTS

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 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 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.

DETROIT BAPTIST UNION
NOTES TO THE FINANCIAL STATEMENTS

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 effort that the loans are impaired 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.

At the end of 2014, the Land Contract with New Beginnings Recovery Church was placed on a nonaccrual basis because four payments were missed in 2014 along with two missing payments from prior years. Attempts to remedy this situation began in the fourth quarter of 2014 and are continuing in 2015.

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 November 4, 2016, the date which the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, 2014, the bank balances (without recognition of outstanding checks or deposits in transit) was \$19,589, of which \$19,589 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:

DETROIT BAPTIST UNION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

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 value of assets measured on a recurring basis at December 31, 2014 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
US Government Securities	\$ 40,007	\$ 40,233
Short-Term Investments	10,200	10,200
Debt Securities	134,775	139,252
Equity Securities	347,109	496,381
	<hr/>	<hr/>
Total	\$ 532,091	\$ 686,066

Investment income is composed of the following for the years ended December, 31, 2014:

Interest and Dividends	\$ 21,307
Net Realized Gain (Loss)	2,395
Net Unrealized Gain	<hr/> 33,548
	<hr/>
Total	\$ 57,250

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Balance at Beginning of Year	\$ 543,935	\$ 664,262	\$ 120,327
Balance at End of Year	\$ 532,091	\$ 686,066	\$ 153,975

DETROIT BAPTIST UNION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – NOTES RECEIVABLE

	2014
First Mortgage Loans	\$ 442,733
Other Secured Loans	74,763
Land Contracts	224,420
Unsecured Loans	64,252
	806,168
Allowance for Losses on Loans	(5,000)
	\$ 801,168

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. However, 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, 2014.

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 also a member of the Board of Directors.