DETROIT BAPTIST UNION

FINANCIAL REPORT

DECEMBER 31, 2013

DETROIT BAPTIST UNION

FINANCIAL REPORT

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YEO & YEO
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Independent Auditors' Report

Management and the Board of Trustees
Detroit Baptist Union

Report on the Financial Statements

We have audited the accompanying financial statements of Detroit Baptist Union which comprise the statement of financial position as of December 31, 2013, 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.

Auditors' 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 of 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 auditors' 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, 2013, 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.

Prior Period Financial Statements

The financial statements as of and for the year ended December 31, 2012 were audited by Hungerford & Co., who merged with Yeo & Yeo, CPAs as of January 1, 2014, and whose report dated March 7, 2013 expressed an unmodified opinion on those statements.

Yeo & Yeo, P.C.

Southgate, Michigan
August 28, 2014

DETROIT BAPTIST UNION

STATMENT OF FINANCIAL POSITION

DECEMBER 31,

	2013	2012
ASSETS		
Cash and Cash Equivalents	$ 137,522	$ 51,397
Investments	664,262	609,117
Interest Receivable	4,055	4,830
Notes Receivable, Net of Allowance	709,453	778,142
Prepaid Insurance	-	1,739
TOTAL ASSETS	$ 1,515,292	$ 1,445,225
LIABILITIES		
Payables	$ -	$ 1,375
Accrued Expenses	-	683
Total Liabilities	$ -	$ 2,058
NET ASSETS		
Unrestricted	1,515,292	1,443,167
TOTAL LIABILITIES AND NET ASSETS	$ 1,515,292	$ 1,445,225

See Accompanying Notes to Financial Statements.

DETROIT BAPTIST UNION

STATMENT OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

	2013 Unrestricted	2012 Unrestricted
REVENUE, GAINS AND OTHER SUPPORT		
Interest on Notes Receivable	$ 36,498	$ 36,320
Investment Interest and Dividend Income	13,762	17,576
Loan Fees and Charges	1,000	3,914
Realized Gain on Investments	29,812	9,438
Unrealized Gain on Investments	69,399	31,704
Total Revenue, Gains and Other Support	150,471	98,952
EXPENSES		
Administrative	23,499	37,495
Advisor Fees	3,964	6,006
Property Expense	14,965	415
Grants	20,650	29,000
Special Project Grants	13,529	16,295
Insurance	1,739	1,747
Total Expenses	78,346	90,958
INCREASE IN NET ASSETS	72,125	7,994
NET ASSETS AT BEGINNING OF YEAR	1,443,167	1,435,173
NET ASSETS AT END OF YEAR	$ 1,515,292	$ 1,443,167

See Accompanying Notes to Financial Statements.

DETROIT BAPTIST UNION

STATMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	$ 72,125	$ 7,994
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities		
Realized and Unrealized Gain on Investments	(99,211)	(41,142)
(Increase) Decrease in		
Interest Receivable	775	(258)
Prepaid Insurance	1,739	8
Increase (Decrease) in		
Payables	(1,375)	(1,750)
Accrued Expenses	(683)	(74)
Net Cash Provided (Used) by Operating Activities	(26,630)	(35,222)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	44,066	136,025
Loan Advances - Notes Receivable	(26,000)	(177,127)
Loan Repayments - Notes Receivable	94,689	49,060
Net Cash Provided (Used) by Investing Activities	112,755	7,958
Net Increase (Decrease) in Cash and Equivalents	86,125	(27,264)
CASH AND EQUIVALENTS - BEGINNING OF YEAR	51,397	78,661
CASH AND EQUIVALENTS - END OF YEAR	$ 137,522	$ 51,397

See Accompanying Notes to Financial Statements.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION'S ACTIVITY -

Detroit Baptist Union (the "Organization") is a Michigan non-profit 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.

NOTE 1 - NATURE OF BUSINESS 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 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.

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.

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 August 28, 2014, the date which the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, 2013 and 2012, the bank balances (without recognition of outstanding checks or deposits in transit) was $137,522 and $55,237, respectively, of which $112,803 and $46,496, 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 value of assets measured on a recurring basis at December 31, 2013 and 2012 are as follows:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	$ -	$ -	$148,905	$153,633
US Government Securities	80,104	81,248	120,135	122,925
Debt Securities	130,112	132,721	81,788	88,932
Equity Securities	333,719	450,293	202,631	243,627
Total	$543,935	$664,262	$553,459	$609,117

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Investment income is composed of the following for the years ended December, 31, 2013 and 2012, respectively:

	2013	2012
Interest and Dividends	$ 13,762	$17,576
Net Realized Gain	29,812	9,438
Net Unrealized Gain	69,399	31,704
	$112,973	$58,718

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	$553,459	$609,117	$ 55,658
Balance at End of Year	543,935	664,262	120,327

NOTE 4 - NOTES RECEIVABLE

	2013	2012
First Mortgage Loans	$473,288	$495,284
Other Secured Loans	-	25,988
Land Contracts	234,456	248,779
Unsecured Loans	6,709	13,091
	714,453	783,142
Allowance for Losses on Loans	(5,000)	(5,000)
	$709,453	$778,142

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 qualified as a Church and, therefore, has no requirement to file information returns with either the Internal Revenue Service or the State of Michigan.

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.