

**HAVEN OF REST MINISTRIES
OF BATTLE CREEK, INC.
BATTLE CREEK, MICHIGAN**

**REPORT OF AUDIT
AS OF
JUNE 30, 2011 AND 2010**

**FOOTE and LLOYD
CERTIFIED PUBLIC ACCOUNTANTS
BATTLE CREEK, MICHIGAN**

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.

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INDEPENDENT AUDITOR'S REPORT

Haven of Rest Ministries of Battle Creek, Inc.
Battle Creek, Michigan

We have audited the accompanying Statement of Financial Position of Haven of Rest Ministries of Battle Creek, Inc. as of June 30, 2011 and 2010, and the related Statements of Activities, Financial Expenses, and Cash Flows, for the year 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 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 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 audit provides 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 Haven of Rest Ministries of Battle Creek, Inc. as of June 30, 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.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
August 20, 2012

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND 2010

ASSETS			<u>2011</u>	<u>2010</u>
CURRENT ASSETS				
Cash			16,739	11,144
Grants Receivable			65,499	46,912
Accounts & Pledges Receivable (Net)			4,731	15,982
Prepaid Insurance			<u>-</u>	<u>783</u>
Total Current Assets			86,969	74,821
PROPERTY & EQUIPMENT				
	COST	ACCUMULATED DEPRECIATION		
Land	38,000	-	38,000	38,000
Buildings	3,255,724	1,044,908	2,210,816	2,310,538
Equipment	249,954	226,386	23,568	15,084
Vehicles	<u>8,985</u>	<u>8,985</u>	<u>-</u>	<u>-</u>
Net Property & Equipment	3,552,663	1,280,279	2,272,384	2,363,622
TOTAL ASSETS			<u>2,359,353</u>	<u>2,438,443</u>
LIABILITIES AND FUND BALANCE				
CURRENT LIABILITIES				
Accounts Payable			21,844	15,673
Accrued Payroll			28,861	28,242
Accrued Payroll Tax			2,704	2,924
Accrued Vacation Pay			25,654	29,383
Deferred Revenue			49,243	30,210
Current Portion of Long Term Liabilities			<u>6,000</u>	<u>6,000</u>
Total Current Liabilities			134,306	112,432
LONG TERM LIABILITIES				
Note Payable - Net of Current Portion			<u>29,521</u>	<u>35,521</u>
Total Long Term Liabilities			<u>29,521</u>	<u>35,521</u>
Total Liabilities			163,827	147,953
NET ASSETS				
Designated for Fixed Assets			2,236,863	2,322,101
Unrestricted			(41,337)	(31,611)
Temporarily Restricted			<u>-</u>	<u>-</u>
Total Net Assets			<u>2,195,526</u>	<u>2,290,490</u>
TOTAL LIABILITIES AND NET ASSETS			<u>2,359,353</u>	<u>2,438,443</u>

See the Notes to Financial Statements.

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUE & SUPPORT			
Contributions - Restricted	-	87,958	87,958
Contributions - Unrestricted	262,234	-	262,234
Grants - Restricted	-	646,501	646,501
Fees	185,979	-	185,979
Events	60,969	-	60,969
Other Income	37,333	-	37,333
Net Assets Released from Restrictions:			
Satisfaction of Restrictions	<u>734,459</u>	<u>(734,459)</u>	<u>-</u>
Total Revenue & Support	1,280,974	0	1,280,974
EXPENSES			
Program	1,053,758	-	1,053,758
Administration	239,392	-	239,392
Fund Raising	<u>82,788</u>	<u>-</u>	<u>82,788</u>
Total Expenses	<u>1,375,938</u>	<u>-</u>	<u>1,375,938</u>
CHANGE IN NET ASSETS	(94,964)	0	(94,964)
NET ASSETS - BEGINNING OF YEAR	<u>2,290,490</u>	<u>-</u>	<u>2,290,490</u>
NET ASSETS - END OF YEAR	<u>2,195,526</u>	<u>0</u>	<u>2,195,526</u>

See Notes to Financial Statements.

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUE & SUPPORT			
Contributions - Restricted	-	78,704	78,704
Contributions - Unrestricted	338,893	-	338,893
Grants - Restricted	-	630,162	630,162
Fees	164,616	-	164,616
Events	53,835	-	53,835
Other Income	18,034	-	18,034
Net Assets Released from Restrictions:			
Satisfaction of Restrictions	<u>708,866</u>	<u>(708,866)</u>	<u>-</u>
Total Revenue & Support	1,284,244	-	1,284,244
EXPENSES			
Program	1,168,451	-	1,168,451
Administration	168,597	-	168,597
Fund Raising	<u>49,766</u>	<u>-</u>	<u>49,766</u>
Total Expenses	<u>1,386,814</u>	<u>-</u>	<u>1,386,814</u>
CHANGE IN NET ASSETS	(102,570)	-	(102,570)
NET ASSETS - BEGINNING OF YEAR	<u>2,393,060</u>	<u>-</u>	<u>2,393,060</u>
NET ASSETS - END OF YEAR	<u>2,290,490</u>	<u>-</u>	<u>2,290,490</u>

See Notes to Financial Statements.

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Program Services	General Administration	Fund Raising	Total
Salaries & Wages	643,146	158,719	50,649	852,514
Payroll Taxes	47,609	11,157	3,523	62,289
Fringe Benefits	44,118	22,794	7,198	74,110
Food	11,485	-	-	11,485
Maintenance	23,634	2,526	-	26,160
Interest	11	532	-	543
Education & Training	1,169	287	-	1,456
Insurance	23,821	2,646	-	26,467
Office Expense	341	9,985	-	10,327
Utilities	75,584	175	-	75,759
Supplies	9,593	444	-	10,037
Telephone	8,222	2,189	-	10,411
Depreciation	90,207	15,730	2,220	108,157
Professional	-	7,100	-	7,100
Medical	740	-	-	740
Rent	51,360	-	-	51,360
Property Tax	3,161	-	-	3,161
Travel	1,392	-	-	1,392
Fund Raising	(0)	-	10,433	10,433
Fund Raising - Events	-	-	8,765	8,765
Program Expense	17,588	-	-	17,588
Other	577	5,108	-	5,685
	<u>1,053,758</u>	<u>239,392</u>	<u>82,788</u>	<u>1,375,938</u>

See Notes to Financial Statements.

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Program Services	General Administration	Fund Raising	Total
Salaries & Wages	737,808	102,350	24,544	864,702
Payroll Taxes	53,965	7,486	1,795	63,246
Fringe Benefits	57,031	13,276	2,965	73,272
Food	23,083	-	-	23,083
Maintenance	31,200	1,415	-	32,615
Interest	102	-	-	102
Education & Training	1,708	675	-	2,383
Insurance	23,189	2,626	-	25,815
Office Expense	194	10,110	-	10,304
Utilities	63,929	1,540	-	65,469
Supplies	9,212	219	-	9,431
Telephone	7,148	1,519	-	8,667
Depreciation	88,625	15,755	2,220	106,600
Professional	-	3,000	-	3,000
Medical	837	-	-	837
Counseling	350	-	-	350
Rent	46,860	-	-	46,860
Property Tax	3,149	-	-	3,149
Travel	-	961	-	961
Fund Raising	-	-	11,244	11,244
Fund Raising - Events	-	-	6,998	6,998
Program Expense	18,404	-	-	18,404
Other	<u>1,657</u>	<u>7,665</u>	<u>-</u>	<u>9,322</u>
	<u>1,168,451</u>	<u>168,597</u>	<u>49,766</u>	<u>1,386,814</u>

See Notes to Financial Statements.

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue & Support Payments Received	1,273,628	1,270,491
Cash Paid to Employees & Suppliers	(1,245,114)	(1,275,186)
Interest Received	<u>-</u>	<u>-</u>
Net Cash Provided by (Used in) Operating Activities	28,514	(4,695)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Property, Plant & Equipment	<u>(16,919)</u>	<u>-</u>
Net Cash Provided by (Used in) Investing Activities	(16,919)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase(Decrease) in Debt	<u>(6,000)</u>	<u>(30,507)</u>
Net Increase (Decrease) in Cash	5,595	(35,202)
BEGINNING CASH BALANCE	<u>11,144</u>	<u>46,346</u>
ENDING CASH BALANCE	16,739	11,144
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH		
Change in Net Assets	(94,964)	(102,570)
ADJUSTMENT TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Depreciation	108,157	106,600
(Increase) Decrease in Grants Receivable	(18,587)	(28,994)
(Increase) Decrease in Pledges & Accounts Receivable	11,251	(5,448)
(Increase) Decrease in Prepaids	783	734
Increase (Decrease) in Payables	<u>21,874</u>	<u>24,984</u>
TOTAL FUNDS PROVIDED (USED) BY OPERATIONS	28,514	(4,694)
Interest Paid and Expensed	543	102

See Notes to Financial Statements.

**HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Haven of Rest Ministries of Battle Creek, Inc. (the Company) was incorporated on February 16, 1957, as an Ecclesiastical Corporation tax exempt under section 501(c)(3) of the Internal Revenue Code. Its purpose is to preach the gospel to the unreached and to feed, shelter and clothe the poor. It runs a foster care program, provides accommodations for persons who need short term care, and operates a Life Recovery Program. It receives funding from various sources including private donations, grants from governmental agencies and private organizations.

Support and Expenses. Contributions received and unconditional promises to give are measured at their fair market values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated Services, Goods, and Facilities. Volunteers have donated substantial time to the organization's operations during the year; however, these donated services are not reflected in the financial statements. The value of donated professional services meeting the requirement for recognition in the financial statements was not material and has not been recorded.

Property and Equipment. The Organization capitalizes all expenditures in excess of \$500 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash held in one checking and money market accounts and certificates of deposit with maturities of less than 90 days. At year-end and throughout the year, the organization's cash balances were deposited in one bank. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

**HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

(Continued)

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Concentrations of Credit and Market Risk. Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Organization has not experienced any losses on its cash equivalents.

NOTE 2 - CASH

For purposes of balance sheet classification, Haven of Rest Ministries of Battle Creek, Inc. considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

The Balance Sheet caption “Cash” as of June 30, 2011, is comprised of the following:

	Carrying Amount	Balance Per Bank
Cash on Hand	600	600
FDIC Insured Bank Deposits	16,139	56,332
Uninsured Bank Deposits	-	-
Total Cash	16,739	56,932

The Balance Sheet caption “Cash” as of June 30, 2010, is comprised of the following:

	Carrying Amount	Balance Per Bank
Cash on Hand	600	600
FDIC Insured Bank Deposits	10,554	33,394
Uninsured Bank Deposits	-	-
Total Cash	11,154	33,994

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

(Continued)

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Land, buildings, equipment and vehicles are valued at actual cost. In donated assets, an immaterial portion of total fixed assets, are valued at fair market value at date of donation.

Depreciation of buildings, equipment and vehicles is calculated using the straight-line method over the assets' estimated useful life of 5-30 years.

Changes in Fixed Assets for 2011 and 2010 consisted of Purchases in the amount of \$16,919 and \$0 respectively.

NOTE 4 - LOANS PAYABLE

The organization has a line of credit in the amount of \$100,000. Balance at June 30, 2011, was \$0. Balance at June 30, 2010, was \$0. Interest rate is variable. Maturity date is March 1, 2012.

Minimum future payments are as follows:

2011	-
Total	<u>\$ -</u>

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 Fair Value Measurements: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the company has the ability to access.

Level 2 Fair Value Measurements: Inputs to the valuation 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;
- 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 (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Fair Value Measurements: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

(Continued)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS-continued

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

The carrying amounts of cash, receivables, and accounts payable approximate fair values due to the short-term nature of these financial instruments.

Long Term Liabilities - The obligations under long-term debt arrangements are carried at their principal amounts which reflect the fair market values of these liabilities.

The carrying values of all the financial instruments are the same as their fair value.

The fair values of the Organization's Long Term Liabilities at June 30, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2011</u>
Notes Payable	-	35,521	-	35,521
Total Long Term Liabilities	<u>\$ -</u>	<u>\$ 35,521</u>	<u>\$ -</u>	<u>\$ 35,521</u>

NOTE 6 - NOTES PAYABLE

The following is a summary of the long term debt transactions for the year ended June 30, 2011.

	7/1/2010	Interest	Payments	6/30/2011
Unsecured Subordinated Notes Payable	\$ 41,521	\$ -	\$ 6,000	\$ 35,521
This note is interest free.				

Annual Principal Requirements are as follows for the years ended June 30:

2012	6,000
2013	6,000
2014	6,000
2015	6,000
2016	6,000
2017	5,521
Total	<u>\$ 35,521</u>

**HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

(Continued)

NOTE 7 - DSS AND SALVATION ARMY PAYMENTS

The Michigan Department of Social Services (DSS) contracts to pay the Haven of Rest Ministries of Battle Creek, Inc. \$12 per day per individual fed and sheltered up to 26 persons per day subject to a maximum dollar limit. Haven of Rest Ministries of Battle Creek, Inc. contracts with the Salvation Army to cover the excess over 26 persons per day for the same rate.

NOTE 8 - FEDERAL GRANTS

The organization has received grants from HUD for its LRP and WIN Programs. A portion of these funds are federal funds. Federal Funds were less than \$500,000 for the years ended JUNE 30, 2011 AND 2010, and a single audit is not required.

The HUD-WIN Grant was for about \$7,000/month and the HUD-LRP grant was about \$14,500/month. Both grants are currently on a year by year basis.

NOTE 9 - FEMA FUNDS AND DEFERRED REVENUE

Federal Emergency Management Agency (FEMA) funds are deposited directly into a checking account specifically set up by the Company for receipt of these funds. Funds are transferred via check to its operating checking account upon provision of a specified number of meals and/or nights of shelter. Money that has been deposited in the FEMA checking account is considered Deferred Revenue until it is transferred to the operating checking account because it is not earned until the meals or nights of shelter have been provided

NOTE 10- FEDERAL INCOME TAX

Haven of Rest Ministries of Battle Creek, Inc. is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. It was organized as a religious organization and is therefore exempt from filing Form 990. It is classified by the IRS as other than a private foundation.

NOTE 11 - RESTRICTED FUNDS

Temporarily Restricted Funds - There were no temporarily restricted funds on hand at June 30, 2011 and 2010.

Permanently Restricted Funds - There were no permanently restricted funds on hand at June 30, 2011 and June 30, 2010.

**HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

(Continued)

NOTE 12 - PLEDGES RECEIVABLE

The Organization has recorded pledges and accounts receivable as outlined below. Allowances and write offs are determined by management on a case by case review. Fair value is assumed to be equivalent to face value. Pledges are considered delinquent after end of project.

	<u>2011</u>	<u>2010</u>
Pledges Receivable - Less then 1 Year	4,278	12,945
Accounts Receivable	453	3,037
Totals	<u>4,731</u>	<u>15,982</u>
Allowance for Uncollectibles	-	-
Totals	<u>\$ 4,731</u>	<u>\$ 15,982</u>

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 20, 2012, the date the financial statements were available to be issued.