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

REPORT OF AUDIT
AS OF
JUNE 30, 2012 AND 2011

FOOTE and LLOYD
CERTIFIED PUBLIC ACCOUNTANTS
BATTLE CREEK, MICHIGAN

Contents

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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, 2012 and 2011, 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, 2012 and 2011, 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 12, 2013

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2012 AND 2011

ASSETS

			2012	2011
CURRENT ASSETS				
Cash			144,528	16,739
Grants Receivable			83,356	65,499
Accounts & Pledges Receivable (Net)			2,399	4,731
Total Current Assets			230,283	86,969
PROPERTY & EQUIPMENT	COST	ACCUMULATED DEPRECIATION		
Land	38,000	-	38,000	38,000
Buildings	3,282,621	1,152,116	2,130,505	2,210,816
Equipment	244,029	226,389	17,640	23,568
Vehicles	8,985	8,985	-	-
Net Property & Equipment	3,573,635	1,387,490	2,186,145	2,272,384
TOTAL ASSETS			2,416,428	2,359,353

LIABILITIES AND FUND BALANCE

	2012	2011
CURRENT LIABILITIES		
Accounts Payable	15,352	21,844
Accrued Payroll	22,378	28,861
Accrued Payroll Tax	7,315	2,704
Accrued Vacation Pay	25,685	25,654
Deferred Revenue	101,198	49,243
Current Portion of Long Term Liabilities	6,000	6,000
Total Current Liabilities	177,928	134,306
LONG TERM LIABILITIES		
Note Payable - Net of Current Portion	23,521	29,521
Total Long Term Liabilities	23,521	29,521
Total Liabilities	201,449	163,827
NET ASSETS		
Designated for Fixed Assets	2,156,624	2,236,863
Unrestricted	58,355	(41,337)
Temporarily Restricted	-	-
Total Net Assets	2,214,979	2,195,526
TOTAL LIABILITIES AND NET ASSETS	2,416,428	2,359,353

See the Notes to Financial Statements.

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUE & SUPPORT			
Contributions - Restricted	-	86,092	86,092
Contributions - Unrestricted	255,416	-	255,416
Grants - Restricted	-	823,733	823,733
Fees	171,890	-	171,890
Events	83,412	-	83,412
Other Income	36,984	-	36,984
Net Assets Released from Restrictions:			
Satisfaction of Restrictions	909,825	(909,825)	-
Total Revenue & Support	1,457,527	-	1,457,527
EXPENSES			
Program	1,085,979	-	1,085,979
Administration	254,183	-	254,183
Fund Raising	97,912	-	97,912
Total Expenses	1,438,074	-	1,438,074
CHANGE IN NET ASSETS	19,453	-	19,453
NET ASSETS - BEGINNING OF YEAR	2,195,526	-	2,195,526
NET ASSETS - END OF YEAR	2,214,979	-	2,214,979

See 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	734,459	(734,459)	-
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	82,788	-	82,788
Total Expenses	1,375,938	-	1,375,938
CHANGE IN NET ASSETS	(94,964)	0	(94,964)
NET ASSETS - BEGINNING OF YEAR	2,290,490	-	2,290,490
NET ASSETS - END OF YEAR	2,195,526	0	2,195,526

See Notes to Financial Statements.

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Program Services	General Administration	Fund Raising	Total
Salaries & Wages	658,129	172,138	51,882	882,149
Payroll Taxes	49,336	11,878	3,839	65,053
Fringe Benefits	39,964	26,525	4,155	70,644
Food	16,889	-	-	16,889
Maintenance	28,333	4,022	-	32,355
Interest	-	564	-	564
Education & Training	1,711	2,101	-	3,812
Insurance	23,897	2,655	-	26,552
Office Expense	132	8,124	-	8,256
Utilities	77,401	178	-	77,579
Supplies	12,652	807	-	13,459
Telephone	6,494	1,943	-	8,437
Depreciation	95,144	11,003	1,065	107,212
Professional	-	-	-	-
Medical	2,253	-	-	2,253
Rent	47,860	-	-	47,860
Property Tax	4,893	-	-	4,893
Travel	-	-	-	-
Fund Raising	-	-	17,275	17,275
Fund Raising - Events	-	-	19,696	19,696
Program Expense	20,287	-	-	20,287
Other	603	12,246	-	12,849
	1,085,978	254,184	97,912	1,438,074

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
	1,053,758	239,392	82,788	1,375,938

See Notes to Financial Statements.

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue & Support Payments Received	1,441,854	1,273,628
Cash Paid to Employees & Suppliers	(1,287,240)	(1,245,114)
Interest Received	148	-
Net Cash Provided by (Used in) Operating Activities	154,762	28,514
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Property, Plant & Equipment	(20,973)	(16,919)
Net Cash Provided by (Used in) Investing Activities	(20,973)	(16,919)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase(Decrease) in Debt	(6,000)	(6,000)
Net Increase (Decrease) in Cash	127,789	5,595
BEGINNING CASH BALANCE	16,739	11,144
ENDING CASH BALANCE	144,528	16,739
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH		
Change in Net Assets	19,453	(94,964)
ADJUSTMENT TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Depreciation	107,212	108,157
(Increase) Decrease in Grants Receivable	(17,857)	(18,587)
(Increase) Decrease in Pledges & Accounts Receivable	2,332	11,251
(Increase) Decrease in Prepaids	-	783
Increase (Decrease) in Payables	43,622	21,874
TOTAL FUNDS PROVIDED (USED) BY OPERATIONS	154,762	28,514
Interest Paid and Expensed	-	543

See Notes to Financial Statements.

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.

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, 2012, is comprised of the following:

	Carrying Amount	Balance Per Bank
Cash on Hand	600	600
FDIC Insured Bank Deposits	143,928	156,381
Uninsured Bank Deposits	-	-
Total Cash	144,528	156,981

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

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 2012 and 2011 consisted of Purchases in the amount of $20,973 and $16,919 respectively.

NOTE 4 - LOANS PAYABLE

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

Minimum future payments are as follows:

2011	-
Total	$ -

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.

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 Liabiliites - 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:

	Level 1	Level 2	Level 3	Total 2012
Notes Payable	-	29,521	-	29,521
Total Long Term Liabilities	$ -	$ 29,521	$ -	$ 29,521

NOTE 6 – NOTES PAYABLE

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

	7/1/2011	Interest	Payments	6/30/2012
Unsecured Subordinated Notes Payable	$ 35,521	$ -	$ 6,000	$ 29,521

This note is interest free.

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

2013	6,000
2014	6,000
2015	6,000
2016	6,000
2017	5,521
Total	$ 29,521

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, 2012 and 2011, 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, 2012 and 2011.

Permanently Restricted Funds - There were no permanently restricted funds on hand at June 30, 2012 and June 30, 2011.

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

(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.

	2012	2011
Pledges Receivable - Less then 1 Year	2,116	4,278
Accounts Receivable	283	453
Totals	2,399	4,731
Allowance for Uncollectibles	-	-
Totals	$ 2,399	$ 4,731

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 12, 2013, the date the financial statements were available to be issued.