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

REPORT OF AUDIT
AS OF
JUNE 30, 2013 AND 2012

FOOTE and LLOYD
CERTIFIED PUBLIC ACCOUNTANTS
BATTLE CREEK, MICHIGAN

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.

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 financial statements of Haven of Rest Ministries of Battle Creek, Inc. which comprise the balance sheet as of June 30, 2013 and 2012, and the related statements of operations, changes in retained earnings, 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 Haven of Rest Ministries of Battle Creek, Inc. as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Foote and Lloyd
CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
July 7, 2014

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012

ASSETS

	COST	ACCUMULATED DEPRECIATION	2013	2012
CURRENT ASSETS				
Cash			229,971	144,528
Investments			16,575	-
Grants Receivable			103,516	83,356
Prepaids			17,581	-
Accounts & Pledges Receivable (Net)			16,681	2,399
Total Current Assets			384,324	230,283
PROPERTY & EQUIPMENT				
Land	48,000	-	48,000	38,000
Buildings	3,338,587	1,253,873	2,084,714	2,130,505
Equipment	337,721	232,944	104,777	17,640
Vehicles	8,985	8,985	-	-
Net Property & Equipment	3,733,293	1,495,802	2,237,491	2,186,145
TOTAL ASSETS			2,621,815	2,416,428

LIABILITIES AND FUND BALANCE

	2013	2012
CURRENT LIABILITIES		
Accounts Payable	26,958	15,352
Accrued Payroll	32,480	22,378
Accrued Payroll Tax	1,839	7,315
Accrued Vacation Pay	24,303	25,685
Deferred Revenue	280,001	101,198
Current Portion of Long Term Liabilities	6,000	6,000
Total Current Liabilities	371,581	177,928
LONG TERM LIABILITIES		
Note Payable - Net of Current Portion	17,500	23,521
Total Long Term Liabilities	17,500	23,521
Total Liabilities	389,081	201,449
NET ASSETS		
Designated for Fixed Assets	2,187,491	2,156,624
Unrestricted	(4,757)	58,355
Temporarily Restricted	-	-
Permanately Restricted	50,000	-
Total Net Assets	2,232,734	2,214,979
TOTAL LIABILITIES AND NET ASSETS	2,621,815	2,416,428

See the Notes to Financial Statements.

HAVEN OF REST MINISTRIES OF BATTLE CREEK, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanetly Restricted	Total
REVENUE & SUPPORT				
Contributions - Restricted	-	205,954		205,954
Contributions - Unrestricted	261,097	-		261,097
Contributions in Kind - Restricted			50,000	50,000
Grants - Restricted	-	793,304		793,304
Fees	280,791	-		280,791
Events	66,888	-		66,888
Other Income	107,361	-		107,361
Net Assets Released from Restrictions:				-
Satisfaction of Restrictions	999,258	(999,258)	-	-
Total Revenue & Support	1,715,395	-	50,000	1,765,395
EXPENSES				
Program	1,326,128	-		1,326,128
Administration	322,670	-		322,670
Fund Raising	98,842	-	-	98,842
Total Expenses	1,747,640	-	-	1,747,640
CHANGE IN NET ASSETS	(32,245)	-	50,000	17,755
NET ASSETS - BEGINNING OF YEAR	2,214,979	-	-	2,214,979
NET ASSETS - END OF YEAR	2,182,734	-	50,000	2,232,734

See 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 FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Program Services	General Administration	Fund Raising	Total
Salaries & Wages	824,225	197,310	72,252	1,093,787
Payroll Taxes	61,495	15,094	5,527	82,116
Fringe Benefits	30,498	32,246	4,438	67,182
Food	20,946	-	-	20,946
Maintenance	60,242	6,005	-	66,247
Interest	-	428	-	428
Education & Training	1,987	2,354	-	4,341
Insurance	-	34,825	-	34,825
Office Expense	1,406	8,981	-	10,387
Utilities	91,832	4,535	-	96,367
Supplies	35,235	2,523	-	37,758
Telephone	6,351	1,918	-	8,269
Depreciation	101,512	5,736	1,065	108,313
Professional	1,376	-	-	1,376
Medical	565	-	-	565
Rent	45,385	-	-	45,385
Property Tax	5,001	-	-	5,001
Fund Raising	-	-	7,491	7,491
Fund Raising - Events	-	-	8,069	8,069
Program Expense	31,135	-	-	31,135
Other	6,937	10,715	-	17,652
	1,326,128	322,670	98,842	1,747,640

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
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 CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue & Support Payments Received	1,663,371	1,441,854
Cash Paid to Employees & Suppliers	(1,445,730)	(1,287,240)
Interest Received	57	148
Net Cash Provided by (Used in) Operating Activities	217,698	154,762
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Investments	(16,575)	
Investment in Property, Plant & Equipment	(109,659)	(20,973)
Net Cash Provided by (Used in) Investing Activities	(126,234)	(20,973)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase(Decrease) in Debt	(6,021)	(6,000)
Net Increase (Decrease) in Cash	85,443	127,789
BEGINNING CASH BALANCE	144,528	16,739
ENDING CASH BALANCE	229,971	144,528

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH

	2013	2012
Change in Net Assets	17,755	19,453
ADJUSTMENT TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Depreciation	108,313	107,212
In-Kind Donations	(50,000)	-
(Increase) Decrease in Grants Receivable	(20,160)	(17,857)
(Increase) Decrease in Prepaids	(17,581)	
(Increase) Decrease in Pledges & Accounts Receivable	(14,282)	2,332
Increase (Decrease) in Deferred Revenue	178,803	51,955
Increase (Decrease) in Payables	14,850	(8,333)
TOTAL FUNDS PROVIDED (USED) BY OPERATIONS	217,698	154,762
Interest Paid and Expensed	428	564

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, 2013, is comprised of the following:

	Carrying Amount	Balance Per Bank
Cash on Hand	800	800
FDIC Insured Bank Deposits	229,171	233,836
Uninsured Bank Deposits	-	-
Total Cash	229,971	234,636

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

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 2013 and 2012 consisted of Acquisitions in the amount of $159,659 and $20,973 respectively.

NOTE 4 – LINE OF CREDIT

The organization has a line of credit in the amount of $100,000. Balance at June 30, 2013, was $0. Balance at June 30, 2012, was $0. Interest rate is variable. Maturity date is March 1, 2014.

Minimum future payments are as follows:

2014	-
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.

Investments: Fair values, which are the amounts reported in the statement of financial position, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

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.

	Level 1	Level 2	Level 3	Total 2013	Total 2012
Investments - Equities	16,575	-	-	16,575	-
Total Investments	$ 16,575	$ -	$ -	$ 16,575	$ -

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

	Level 1	Level 2	Level 3	Total 2013	Total 2012
Notes Payable	-	23,500	-	23,500	29,521
Total Long Term Liabilities	$ -	$ 23,500	$ -	$ 23,500	$ 29,521

NOTE 6 – NOTES PAYABLE

The following is a summary of the long term debt transactions for the year ended June 30, 2013.

	7/1/2012	Interest	Payments	6/30/2013
Unsecured Subordinated Notes Payable	$ 29,521	$ -	$ 6,021	$ 23,500

This note is interest free.

(Continued)

NOTE 6 – NOTES PAYABLE - continued

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

2014	6,000
2015	6,000
2016	6,000
2017	5,500
Total	$ 23,500

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, 2013 and 2012, 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, 2013 and 2012.

Permanently Restricted Funds – During the fiscal year ended June 30, 2013 another organization donated real estate to the Haven that must be used for Women's Needs. The value was placed at $50,000.

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.

	2013	2012
Pledges Receivable - Less then 1 Year	14,800	2,116
Accounts Receivable	1,881	283
Totals	16,681	2,399
Allowance for Uncollectibles	-	-
Totals	$ 16,681	$ 2,399

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 7, 2014, the date the financial statements were available to be issued.