STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

August 20, 2014

Board of Directors
Guerin, Inc.
8037 Unruh Drive
Georgetown, IN 47122

We have reviewed the audit report prepared by Rodefer Moss & Co, PLLC, for the period September 1, 2010 to August 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Guerin, Inc., as of August 31, 2011, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the findings in the report. The audit report included three findings: two financial statement findings and one finding on compliance for the major federal programs. Please refer to the Schedule of Findings and Questioned Costs for complete details of the findings.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

GUERIN, INC. AND AFFILIATE

Consolidated Financial Statements and Supplementary Information

Years Ended August 31, 2011 and 2010

GUERIN, INC. AND AFFILIATE
Consolidated Financial Statements and Supplementary Information
Years Ended August 31, 2011 and 2010

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• Certified Public Accountants
• Business Advisors

p: 812.945.5236
f: 812.949.4095
w: rodefermoss.com
301 East Elm Street
New Albany, IN 47150

RM
RODEFER MOSS & CO, PLLC

Independent Auditors' Report

To the Officers and Directors
Guerin, Inc. and The Meadows of Guerin, Inc.

We have audited the accompanying consolidated statements of financial position of Guerin, Inc. and The Meadows of Guerin, Inc. (Affiliate) (nonprofit organizations) as of August 31, 2011, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of Guerin, Inc. and Affiliate, as of August 31, 2010, were audited by another auditor whose report dated January 13, 2011 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Guerin, Inc. and Affiliate as of August 31, 2011, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2012, on our consideration of Guerin, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements of the Organizations. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic consolidated financial statements of the Organizations. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

Rodefer Moss & Co, PLLC

Rodefer Moss & Co, PLLC
New Albany, Indiana
January 18, 2012

GUERIN, INC. AND AFFILIATE
Consolidated Statements of Financial Position
August 31, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	$ 84,414	$ 48,799
Accounts receivable	-	212
Interest receivable	9	29
Grants and contributions receivable	300,633	234,233
Total current assets	385,056	283,273
Other Assets		
Cash - reserve funds	116,609	116,340
Cash - security deposits	17,829	16,732
Total other assets	134,438	133,072
Property and Equipment		
Land and improvements	639,822	639,822
Building and improvements	9,543,440	8,556,156
Furniture and fixtures	319,899	302,235
Construction in progress	252,147	677,932
	10,755,308	10,176,145
Less accumulated depreciation	(1,394,583)	(1,101,909)
Property and equipment, net	9,360,725	9,074,236
Total assets	$ 9,880,219	$ 9,490,581
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of long-term debt	$ 82,028	$ 48,923
Accounts payable	210,146	251,993
Accrued liabilities	862	2,268
Total current liabilities	293,036	303,184
Long-term Liabilities		
Security deposits	17,282	16,732
Long-term debt	874,384	927,591
Related party note	424,855	470,366
Total long-term liabilities	1,316,521	1,414,689
Total liabilities	1,609,557	1,717,873
Net Assets		
Unrestricted	1,937,732	1,858,736
Temporarily restricted	6,332,930	5,913,972
Total net assets	8,270,662	7,772,708
Total liabilities and net assets	$ 9,880,219	$ 9,490,581

See notes to consolidated financial statements.

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2010		
Unrestricted	Temporarily Restricted	Total
$ 804,049	$ -	$ 804,049
366,000		366,000
220,785		220,785
5,400		5,400
6,943	-	6,943
1,403,177	-	1,403,177
114,622	(114,622)	-
1,517,799	(114,622)	1,403,177
366,000		366,000
264,199		264,199
44,851		44,851
35,948		35,948
36,188		36,188
31,974		31,974
12,317		12,317
12,258		12,258
14,330		14,330
3,034		3,034
4,001		4,001
5,400		5,400
1,101	-	1,101
831,601	-	831,601
686,198	(114,622)	571,576
7,080,864	120,268	7,201,132
(5,908,326)	5,908,326	-
$ 1,858,736	$ 5,913,972	$ 7,772,708

GUERIN, INC. AND AFFILIATE
Consolidated Statements Cash Flows
Years Ended August 31, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Increase in Net Assets	$ 497,954	$ 571,576
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	292,674	264,199
Grants and contributions received for long-term purposes	-	(804,049)
Decrease (increase) in assets:		
Receivables	(66,188)	(226,233)
Interest receivable	20	5,687
Increase (decrease) in liabilities:		
Accounts payable	(41,847)	(6,579)
Accrued liabilities	(856)	346
Payable to related party	-	4,346
Net cash flows from operating activities	681,757	(190,707)
Cash Flows From Investing Activities		
Increase in reserve funds	(1,366)	(62,132)
Proceeds from redemption of certificates of deposit	-	677,438
Purchases of property and equipment	(579,163)	(1,229,621)
Net cash flows from investing activities	(580,529)	(614,315)
Cash Flows From Financing Activities		
Grants and contributions received for long-term purposes	-	804,049
Proceeds from related party	-	60,000
Payments on related party note	(16,728)	-
Payments on long-term debt	(48,885)	(40,682)
Net cash flows from financing activities	(65,613)	823,367
Net change in cash and cash equivalents	35,615	18,345
Cash and cash equivalents at the beginning of the year	48,799	30,454
Cash and cash equivalents at the end of the year	$ 84,414	$ 48,799
Supplemental disclosures of cash flow information:		
Interest paid	$ 22,762	$ 27,362
Accounts payable obligations for property and equipment	$ 196,345	$ 172,274

See notes to consolidated financial statements.

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organizations - Guerin, Inc. (Guerin) is a not-for-profit organization that provides assistance, by way of residential facilities and life skill services, to persons in need. Guerin's goal is to provide decent, affordable housing to low and moderate income families. Guerin has carried out this mission principally through the construction of group homes and multi-family housing located throughout Floyd County, Indiana. These facilities are utilized and managed by a related not-for-profit organization that provides program services to individuals in need of assistance. Guerin is supported primarily through grants, rents, and contributions from the general public.

The Meadows of Guerin, Inc. (Affiliate) is a not-for-profit corporation organized for the purpose of developing and operating rental housing units for the elderly in Georgetown, Indiana. The Affiliate operates under the provision of Section 202 of the Housing Act of 1959 and the appropriate regulations. The Affiliate began operations in April 2009 and completed its HUD cost certification as of May 31, 2009.

Summary of Significant Accounting Policies - This summary of significant accounting policies of Guerin and Affiliate are presented to assist in understanding the Organizations' financial statements. The financial statements are representations of the Organizations' management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation - The Organizations are required to report 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.

Principles of Consolidation - The accompanying consolidated financial statements, as of and for the years ended August 31, 2011 and 2010, include the accounts of Guerin and Affiliate. Consolidation is required based on Guerin's control to appoint the Board of Directors of the Affiliate. All inter-company balances and transactions have been eliminated in consolidation.

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

Cash and Cash Equivalents - Unrestricted demand deposits and interest bearing checking accounts intended to be used for current operations are classified as cash and cash equivalents.

Receivables - The valuation of accounts and grants receivable is based upon a detail analysis of past due accounts and the history of uncollectible accounts. Estimated uncollectible accounts increase the allowance for doubtful accounts and when the receivable is written off, the allowance for doubtful accounts is decreased. Receivables are considered fully collectable; therefore, no allowance has been recorded.

Property, Equipment and Depreciation - Guerin and Affiliate have a policy to capitalize property and equipment with a cost of $1,000 or greater with a useful life greater than one year. Purchased property and equipment is stated at cost. Donated property and equipment is stated at fair market value as of the date of donation. Depreciation of property and equipment is computed by the straight-line method over the estimated useful life of the asset. When assets are sold or retired, the cost and related depreciation is eliminated from the accounts and any resulting gain or loss is included in the consolidated statement of activities.

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Donations - Donations other than cash are recorded at their fair market value as of the date of donation. Donated services must meet the specific expertise requirements and would normally have been purchased before they are recorded. Donations of long-lived assets with explicit restrictions that specify how the assets are to be used and donations of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Assets restricted by donors for future use are classified as temporarily restricted. When a donor's temporary restriction expires, those net assets are reclassified to unrestricted net assets. Temporarily restricted donations are treated as unrestricted if the restriction expires in the same period as it is received.

Conditional promises to give, which depend on the occurrence of specified future and uncertain events to bind the promise, are recognized when the conditions on which they depend are substantially met.

Functional Classification - Total expenses reported on the Statement of Activities by functional classification are as follows:

	2011	2010
Program services	$ 934,598	$ 799,680
Management and general	37,147	31,788
Fundraising	175	133
	$ 971,920	$ 831,601

Income Taxes - Guerin and Affiliate are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organizations evaluate uncertain tax positions in accordance with applicable standards. The Organizations have evaluated its tax positions, and believe that it has none that are uncertain. At the statement of financial position date, the Organization Form 990s for the years ending August 31, 2011, 2010, and 2009 remained subject to examination by the Internal Revenue Service

Advertising Expense - Advertising costs are expensed as incurred. Advertising expense was $ 355 and $ 1,101 for the years ended August 31, 2011 and 2010, respectively.

Reclassifications - Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2 - RESERVE FUNDS AND SECURITY DEPOSITS

Reserve funds include cash and cash equivalents held by a trustee as required by the U.S. Department of Housing and Urban Development and tenant security deposits.

NOTE 3 - RELATED PARTY TRANSACTIONS

Providence Self Sufficiency Ministries, Inc. (PSSM) operates certain of its programs and has its administrative offices in facilities owned by Guerin and also shares certain common Board members with Guerin. The estimated annual fair value of the space used by PSSM that was donated by Guerin for the years ended August 31, 2011 and 2010 is $457,000 and $366,000, respectively; these amounts are included as in-kind rental income and contribution expense on the statements of activities for the years then ended. PSSM also incurs certain shared expenses that are paid by PSSM and charged back to Guerin and Affiliate. As of August 31, 2011 and 2010, total amounts due to PSSM for shared expenses were approximately $9,700 and $8,400, respectively, and are included in accounts payable on the Statements of Financial Position.

NOTE 3 - RELATED PARTY TRANSACTIONS - (Continued)

The Corporate Members of PSSM approved a recommendation to the Board of PSSM to loan $460,000 to Guerin for the construction of permanent supportive housing facilities for senior citizens at its Georgetown, Indiana campus to be utilized by PSSM's programs. During 2008, $400,000 was advanced to Guerin and an additional $60,000 was advanced during 2010. Under the loan agreement, interest shall accrue at 1% annually, and no payments would be due until completion of the construction project in December 2010. The project was completed in December 2010, at which time Guerin began paying principal and interest payments to PSSM. Total principal and interest payments to PSSM for the year ended August 31, 2011 were $21,328. As of August 31, 2011 and 2010, accrued interest payable relating to the above note was $14,966 and $10,366, respectively. The balances due to PSSM from the Organization at August 31, 2011 and 2010 are included in the schedule at Note 6 to the consolidated financial statements.

Guerin and Affiliate have entered into management agreements with PSSM to provide management and administrative services. Management fee expenses related to these agreements were $37,656 and $35,948 for the years ended August 31, 2011 and 2010, respectively. As of August 31, 2011 and 2010, management fees payable to PSSM were approximately $4,800 and $3,800, respectively, and are included in accounts payable on the statements of financial position.

NOTE 4 - GRANTS AND ACCOUNTS RECEIVABLE

Grants and Accounts Receivable consist of the following:

	2011	2010
Indiana Housing & Community Development Grants	$ 153,784	$ 234,233
Contribution from PSSM	146,849	-
Program services	-	212
	$ 300,633	$ 234,445

NOTE 5 - CONSTRUCTION IN PROGRESS

During the year ended August 31, 2011, Guerin started construction of a fifth, 7,100 square-foot Villa, located on its Georgetown, Indiana campus that will function as an assisted-living and comprehensive-care facility for 10 senior citizens. Funding for construction of the Villa came from various grants and operating funds, which includes two, separate, conditional funding grants from the Indiana Housing & Community Development Authority (IHCDA) in the amounts of $560,000, each, and a conditional funding grant from the Federal Home Loan Bank of Indianapolis Affordable Housing Program (AHP) in the amount of $643,000. These conditional grants are discussed in Note 10 to the consolidated financial statements. As of August 31, 2010, Guerin had construction costs of $252,147 that is included in both Construction in Progress and Grants Receivable on the statement of financial position. The $153,784 included in Grants Receivable represents draws on each of the IHCDA grants.

During the year ended August 31, 2010, Guerin started construction of a fourth, 7,100 square-foot Villa, located on its Georgetown, Indiana campus that will function as an assisted-living and comprehensive-care facility for 10 senior citizens. Funding for construction of the Villa came from various grants and operating funds. As of August 31, 2010, Guerin had construction costs of $677,932 that is included in Construction in Progress on the statement of financial position. The fourth Villa was completed and placed into service in October 2010 with a total construction cost of approximately $916,000.

During March 2010, Guerin completed construction of a third 7,100-square-foot Villa, located on its Georgetown, Indiana campus that functions as an assisted-living and comprehensive-care facility for 10 senior citizens. The total construction cost of the third Villa was approximately $857,000. Funding for construction of the Villa came from various grants and operating funds.

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following:

	2011	2010
Indiana Housing & Community Development Authority, payable in semi-annual installments of $8,037, including interest at a fixed rate of 1%. A balloon payment will be due October 2021 of all unpaid principal and interest. The note is collateralized by Guerin's real estate located in Georgetown, Indiana.	$ 255,704	$ 269,086
Indiana Housing & Community Development Authority, payable in monthly installments of $3,218, including interest at a fixed rate of 2%. The note matures in December 2024. The note is collateralized by Guerin's real estate located in Georgetown, Indiana.	451,625	478,446
Your Community Bank, payable in monthly installments of $1,551 including interest at a fixed rate of 7.25%. A balloon payment will be due April 2021 of all unpaid principal and interest. The note is collateralized by Guerin's real estate located in Georgetown, Indiana.	-	195,557
Your Community Bank, payable in monthly installments of $366 including interest at a fixed rate of 7.25%. The note matures in October 2021. The note is collateralized by Guerin's real estate located in Georgetown, Indiana.	-	33,425
Your Community Bank, payable in monthly installments of $1,552 including interest at a fixed rate of 5.99%. A balloon payment will be due April 2021 of all unpaid principal and interest. The note is collateralized by Guerin's real estate located in Georgetown, Indiana.	188,848	-
Your Community Bank, payable in monthly installments of $346 including interest at a fixed rate of 5.99%. The note matures in October 2021. The note is collateralized by Guerin's real estate located in Georgetown, Indiana.	31,452	-
Related party note payable to PSSM in monthly installments of $2,743 including interest at a fixed rate of 1.00%. The note matures in November 2025.	453,638	470,366
	1,381,267	1,446,880
Less current maturities	82,028	48,923
	$ 1,299,239	$ 1,397,957

NOTE 6 - LONG-TERM DEBT - (Continued)

Future maturities of long-term debt are as follows:

Years ending August 31,	
2012	$ 82,028
2013	83,662
2014	85,350
2015	87,095
2016	88,898
Thereafter	954,234
	$ 1,381,267

NOTE 7 - ADVANCES AND RESTRICTIONS

Guerin's two rental facilities in Georgetown, Indiana are limited by the Indiana Housing & Community Development Authority (IHCDA) deed restrictions to low-income housing residents for a period of twenty years. The restrictions relating to the two rental facilities expire in the years 2025 and 2026. The Senior Center located in Georgetown, Indiana is limited to providing of senior services for a period of seven years. The restriction expires in 2012. Failure to comply with the deed restrictions may result in a refundable balance due up to the original amounts of the grants of approximately $2,200,000.

Guerin's two Villas in Georgetown, Indiana are limited by the IHCDA deed restrictions to low-income housing residents for a period of twenty years. The restrictions relating to the two Villas expire in the year 2028. Failure to comply with the deed restrictions may result in a refundable balance due up to the original amounts of the grant of approximately $500,000.

The Affiliate received a capital advance of $2,498,500 under a Capital Advance Agreement in May 2008 from the U.S. Department of Housing and Urban Development (HUD) under Section 202 of the National Affordable Housing Act. The advance bears no interest and repayment is not required so long as the housing remains available to eligible low-income households for a period of 40 years. The capital advance is secured by a mortgage on the property. Failure to keep housing available for very low-income individuals for forty years will result in HUD billing the Affiliate for the entire capital advance outstanding plus interest since the date of the first advance. The restriction will expire in the year 2048. Under the terms of the HUD Agreement, the Affiliate is required to deposit a monthly amount of $639 for replacements to structural elements or mechanical equipment of the facility. The reserve fund had a balance of $96,695 and $89,490 as of August 31, 2011 and 2010, respectively. The reserve fund is held in a separate account and generally not available for operating purposes.

The restricted contributions used for the construction of the facilities discussed in this note have been reclassified as temporarily restricted net assets from prior issued financial statements. These restricted net assets are included in the schedule in Note 9 to the consolidated financial statements.

NOTE 8 - PROJECT RENTAL ASSISTANCE PAYMENT CONTRACT

The Affiliate received $44,899 and $44,652 during the years ended August 31, 2011 and 2010, respectively, from HUD under a project rental assistance payment contract expiring in April 2012.

NOTE 9 - CHANGES IN RESTRICTED NET ASSETS

Changes in temporarily restricted net assets were as follows:

		Temporarily Restricted Net Assets
Balance 8/31/10 as reclassified	$	5,913,972
8/31/11 Increase in net assets		
Guerin- 1 Villa- 20 yr purpose/time restriction - expires 2031 - portion attributable to FYE 8/31/11		265,174
Guerin- 1 Villa- 20 yr purpose/time restriction		153,784
Balance 8/31/11	$	6,332,930

NOTE 10 - CONDITIONAL PROMISES TO GIVE

The Organizations received conditional grant awards for the construction of a fifth Villa, as also discussed in Note 5 to the consolidated financial statements. Two, separate, conditional grant awards were received from the Indiana Housing & Community Development Authority (IHCDA) in the amounts of $560,000, each, and a conditional funding grant from the Federal Home Loan Bank of Indianapolis Affordable Housing Program (AHP) in the amount of $643,000. The receipt of these grant awards is conditionally based upon the completion of the fifth Villa and will be paid on draws of the awards with required support documentation for the expenditures. Because these grants are conditional promises to give, only documented claims for draws on the awards have been recognized in the consolidating statement of activities. As of August 31, 2011, two draws had been submitted and considered as grants receivable for construction costs incurred for the fifth Villa totaling $153,784. Of the two submitted draws, one draw was made to each of the IHCDA conditional funding grant awards.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to the statement of financial position of August 31, 2011 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through January 18, 2012, the date these consolidated financial statements were available to be issued.

On September 8, 2011, Guerin, Inc. obtained a nine month $490,000 construction loan through MainSource Bank. The note bears an interest rate of 4.5% and requires interest payments monthly, beginning October 1, 2011, until its maturity. The construction loan is secured by various certificates of deposit owned by PSSM, a related party, as the hypothecator. The certificates of deposit are to be released upon repayment of this loan with the proceeds from a replacement term loan to Guerin, Inc. in the amount of $490,000 that will be secured with a properly executed first mortgage against the Villas of Guerin Woods buildings 1005 and 1006. The replacement term loan will have monthly principal and interest payments based on a fifteen year repayment amortization and an initial interest rate of 6% during the first five years of the loan.

GUERIN, INC. AND AFFILIATE
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2011

Federal Grantor/ Program Title	Federal CFDA Number	Federal Award Expended
U.S. Department of Housing and Urban Development		
Section 117 Supportive Housing for Low Income Families	14.228	$ 345,066
Section 202 Supportive Housing for the Elderly	14.157	2,543,399
HOME Investment Partnerships Program	14.239	73,892
Total Federal Expenditures		$ 2,962,357

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Guerin, Inc. and Affiliate and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

• Certified Public Accountants
• Business Advisors

p: 812.945.5236
f: 812.949.4095
w: rodefermoss.com
301 East Elm Street
New Albany, IN 47150

RM
RODEFER MOSS & CO PLLC

Independent Auditors' Report On Internal Control Over Financial Reporting And Compliance And Other Matters Based On An Audit Of Consolidated Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Officers and Directors
Guerin, Inc. and The Meadows of Guerin, Inc.

We have audited the consolidated financial statements of Guerin, Inc. and Affiliate (Organizations) as of and for the year ended August 31, 2011, and have issued our report thereon dated January 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Organizations is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organizations' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be material weakness.

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 *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2011-1 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organizations' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2011-2.

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organizations' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Rodefer Moss & Co PLLC

Rodefer Moss & Co, PLLC
New Albany, Indiana
January 18, 2012

• Certified Public Accountants
• Business Advisors

p: 812.945.5236
f: 812.949.4095
w: rodefermoss.com
301 East Elm Street
New Albany, IN 47150

RM
RODEFER MOSS & CO, PLLC

Independent Auditors' Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133

To the Officers and Directors
Guerin, Inc. and The Meadows of Guerin, Inc.

Compliance

We have audited Guerin, Inc., and Affiliate's (Organizations) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organizations' major federal programs for the year ended August 31, 2011. The Organizations' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organizations' management. Our responsibility is to express an opinion on the Organizations' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organizations' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organizations' compliance with those requirements.

As described in item 2011-2 in the accompanying schedule of findings and questioned costs, the Organizations did not comply with requirements regarding monthly deposits to the reserve for replacement account that are applicable to its Section 202 Capital Advance. Compliance with such requirements is necessary, in our opinion, for the Organizations' to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Organizations complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

Internal Control Over Compliance

Management of the Organizations is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organizations' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-2. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Organizations' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit The Organizations' responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the U.S. Department of Housing and Urban Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rodefer Moss & Co, PLLC

Rodefer Moss & Co, PLLC
New Albany, Indiana
January 18, 2012

Section I – Summary of Auditors' Results (Under Section 505(d)(1) of OMB Circular A-133):

1. An unqualified opinion was issued on the audit of the financial statements of Guerin, Inc. and Affiliate for the year ended August 31, 2011.

2. A material weakness was identified relating to the audit of the financial statements of Guerin, Inc. and Affiliate.

3. The audit did not disclose any noncompliance which is material to the financial statements of Guerin, Inc and Affiliate; however a significant deficiency was disclosed.

4. No material weaknesses in internal control over major programs were disclosed by the audit; however a significant deficiency in internal control over a major program was disclosed.

5. A qualified opinion was issued on compliance for the major federal programs of Guerin, Inc. and Affiliate for the year ended August 31, 2011.

6. The audit did not disclose an audit finding required to be reported under Section 510(a) of OMB Circular A-133.

7. The programs tested as major programs included:

HUD Section 117 Supportive Housing for Low Income Families CFDA 14.228
HUD Section 202 Supportive Housing for the Elderly and Project Rent Assistance CFDA 14.157

8. The dollar threshold for distinguishing Type A and B programs was $300,000

9. The auditee did not qualify as a low-risk auditee.

Section II – Financial Statement Findings (Under Section 505(d)(2) of OMB Circular A-133):

Department of Housing and Urban Development

Finding No. 2011-1: Section 117 Supportive Housing for Low Income Families, CFDA # 14.228 and Section 202 Supportive Housing for the Elderly, CFDA #14.157

Statement of Condition: Interim internal financial reports prepared for management and the Board to assess ongoing operating results are not prepared in accordance with accounting principles generally accepted in the United States of America, in addition, the financial reports do not include a statement of cash flows and full note disclosures.

Criteria: The Organizations lack resources to prepare full disclosure financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect of Condition: The financial statements presented for audit were not prepared in accordance with accounting principles generally accepted in the United States of America since various adjustments for certain items were necessary by the auditors, as well as the preparation of the statement of cash flows and full note disclosures.

Cause of Condition: The current accounting staff and management have a general knowledge and understanding of accounting and reporting requirements for their financial statements but lack the resources to prepare complete financial statements in accordance with accounting principles generally accepted in the United States of America and to ensure compliance with all related accounting and reporting issues applicable to the Organizations.

Section II – Financial Statement Findings (Under Section 505(d)(2) of OMB Circular A-133) – (Continued):

Recommendation: We understand the current size and complexity of the Organizations may not justify the addition of accounting personnel with the resources to prepare complete financial statements and who understands and complies with all related accounting and reporting issues applicable to the Organizations. We recommend that the current accounting staff and management consider obtaining a better understanding of the accounting and reporting requirements for its financial statements. We are available throughout the year to assist with providing guidance with accounting and reporting issues and also with the preparation of the Organizations' year-end financial statements.

Department of Housing and Urban Development

Finding No. 2011-2: Section 202 Supportive Housing for the Elderly, CFDA #14.157

Statement of Condition: Only eleven of the twelve required monthly deposits to the reserve for replacement account were made during the year ending August 31, 2011.

Criteria: The Affiliate is required to make monthly deposits to its reserve for replacement account in accordance with its Section 202 Capital Advance Agreement.

Effect of Condition: One of the required monthly deposits to the reserve for replacement account was not made during the year ending August 31, 2011.

Cause of Condition: The Affiliate setup a monthly automatic transfer from the operating account to the reserve for replacement account. The automatic transfers began one month later than expected and the Affiliate's internal controls did not detect that the required deposit to the reserve for replacement that was not made.

Recommendation: We recommend that the accounting staff perform timely reviews and reconciliations of the monthly bank statements to verify that all required deposits to the reserve for replacement account are made on a timely basis.

Section III – Federal Award Findings and Questioned Costs (Under Section 505(d)(3) of OMB Circular A-133)

See Financial Statement Finding 2011-2 above

GUERIN, INC. AND AFFILIATE
Corrective Action Plan
Year Ending August 31, 2011

Department of Housing and Urban Development

Guerin, Inc. and Affiliate respectfully submits the following corrective action plan for the year ending August 31, 2011.

Name and address of independent public accounting firm: Rodefer Moss & Co, PLLC, 301 East Elm Street, New Albany, Indiana 47150

Audit period: September 1, 2010 through August 31, 2011

The findings from the August 31, 2011 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding No. 2011-1: Section 117 Supportive Housing for Low Income Families, CFDA # 14.228 and Section 202 Supportive Housing for the Elderly, CFDA #14.157

Recommendation: We understand the current size and complexity of the Organizations may not justify the addition of accounting personnel with the resources to prepare complete financial statements and who understands and complies with all related accounting and reporting issues applicable to the Organizations. We recommend that the current accounting staff and management consider obtaining a better understanding of the accounting and reporting requirements for its financial statements. We are available throughout the year to assist with providing guidance with accounting and reporting issues and also with the preparation of the Organizations' year-end financial statements.

Action Taken: The Organizations understand and accept the above recommendation. However, due to the prohibitive nature of the cost of obtaining additional accounting personnel, the Organizations will continue to rely on Rodefer Moss & Co, PLLC to prepare the financial statements and related note disclosures. The Organizations will review and accept responsibility for the audited financial statements.

Finding No. 2011-2: Section 202 Supportive Housing for the Elderly, CFDA #14.157

Recommendation: We recommend that the accounting staff perform timely reviews and reconciliations of the monthly bank statements to verify that all required deposits to the reserve for replacement account are made on a timely basis.

Action Taken: Although the required deposit to the reserve for replacement account was not made on time, the matter was resolved subsequent to year-end. The Affiliate will perform monthly reconciliations and review the activity in the reserve for replacement account on a monthly basis to ensure that all monthly deposits are made on time.

If the United States Department of Housing and Urban Development has questions regarding this plan, please call Sister Barbara Ann Zeller at (812) 951-1878.

Sincerely,

Sister Barbara Ann Zeller, President
Guerin, Inc. and Affiliate

Department of Housing and Urban Development

Finding No. 10-1: Section 117 Supportive Housing for Low Income Families, CFDA # 14.228 and Section 202 Supportive Housing for the Elderly, CFDA #14.157

Condition: Interim internal financial reports prepared for management and the Board to assess ongoing operating results are not prepared in accordance with accounting principles generally accepted in the United States of America, in addition, the financial reports do not include a statement of cash flows and full note disclosures.

Recommendation: We understand the current size and complexity of the Organizations may not justify the addition of accounting personnel with the resources to prepare complete financial statements and who understands and complies with all related accounting and reporting issues applicable to the Organizations. We recommend that the current accounting staff and management consider obtaining a better understanding of the accounting and reporting requirements for its financial statements. We are available throughout the year to assist with providing guidance with accounting and reporting issues and also with the preparation of the Organizations' year-end financial statements.

Current Status: The Organizations understand and accept the above recommendation. However, due to the prohibitive nature of the cost of obtaining additional accounting personnel, the Organizations will continue to rely on its auditor to prepare the financial statements and related note disclosures. The Organizations will review and accept responsibility for the audited financial statements. The finding has been reported in the current year as 2011-1.

GUERIN, INC. AND AFFILIATE
Consolidating Statement of Financial Position
August 31, 2011

		Guerin, Inc.		The Meadows of Guerin, Inc.		Eliminations		Consolidated
ASSETS								
Current Assets								
Cash and cash equivalents	$	69,403	$	15,011	$	-	$	84,414
Accounts receivable		-		-		-		-
Interest receivable		9		-		-		9
Grants and contributions receivable		300,633		-		-		300,633
Total current assets		370,045		15,011		-		385,056
Other Assets								
Cash - reserve funds		2,040		114,569				116,609
Cash - security deposits		9,494		8,335		-		17,829
Total other assets		11,534		122,904		-		134,438
Property and Equipment								
Land and improvements		516,797		83,173		39,852		639,822
Building and improvements		7,275,678		2,267,762		-		9,543,440
Furniture and fixtures		309,201		10,698		-		319,899
Construction in progress		252,147		-		-		252,147
		8,353,823		2,361,633		39,852		10,755,308
Less accumulated depreciation		(1,250,363)		(144,220)		-		(1,394,583)
Property and equipment, net		7,103,460		2,217,413		39,852		9,360,725
Total assets	$	7,485,039	$	2,355,328	$	39,852	$	9,880,219
LIABILITIES AND NET ASSETS								
Current Liabilities								
Current maturities of long-term debt	$	82,028	$	-	$	-	$	82,028
Accounts payable		201,876		8,270		-		210,146
Accrued liabilities		862		-		-		862
Total current liabilities		284,766		8,270		-		293,036
Long-term Liabilities								
Security deposits		8,968		8,314		-		17,282
Long-term debt		874,384		-		-		874,384
Related party note		424,855		-		-		424,855
Total long-term liabilities		1,308,207		8,314		-		1,316,521
Total liabilities		1,592,973		16,584		-		1,609,557
Net Assets								
Unrestricted		2,057,636		(159,756)		39,852		1,937,732
Temporarily restricted		3,834,430		2,498,500		-		6,332,930
Total net assets		5,892,066		2,338,744		39,852		8,270,662
Total liabilities and net assets	$	7,485,039	$	2,355,328	$	39,852	$	9,880,219

See independent auditors' report on supplementary information.

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The Meadows of Guerin, Inc.			Eliminations	Consolidated		
Unrestricted	Temporarily Restricted	Total		Unrestricted	Temporarily Restricted	Total
$ 2,634	$ -	$ 2,634	$ -	$ 368,389	$ 418,958	$ 787,347
-	-	-		457,000	-	457,000
109,692	-	109,692		219,739	-	219,739
5,280	-	5,280		5,280	-	5,280
351	-	351	-	508	-	508
117,957	-	117,957	-	1,050,916	418,958	1,469,874
-	-	-	-	-	-	-
117,957	-	117,957	-	1,050,916	418,958	1,469,874
-	-	-		457,000		457,000
59,730	-	59,730		292,674		292,674
53,591	-	53,591		69,146		69,146
13,932	-	13,932		37,656		37,656
20,063	-	20,063		36,351		36,351
-	-	-		29,197		29,197
6,000	-	6,000		16,695		16,695
6,984	-	6,984		12,774		12,774
291	-	291		8,592		8,592
5,772	-	5,772		6,061		6,061
1,636	-	1,636		4,639		4,639
780	-	780		780		780
-	-	-	-	355	-	355
168,779	-	168,779	-	971,920	-	971,920
(50,822)	-	(50,822)		78,996	418,958	497,954
(108,934)	2,498,500	2,389,566	39,852	1,858,736	5,913,972	7,772,708
$ (159,756)	$ 2,498,500	$ 2,338,744	$ 39,852	$ 1,937,732	$ 6,332,930	$ 8,270,662