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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, 2011 to August 31, 2012. 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, 2012, 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 one finding that was reported as both a financial statement finding and a 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, 2012 and 2011

GUERIN, INC. AND AFFILIATE
Consolidated Financial Statements and Supplementary Information
Years Ended August 31, 2012 and 2011

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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, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years 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 audits.

We conducted our audits 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 audits 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 audits provide 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, 2012 and 2011, and the changes in its net assets and cash flows for the years 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 28, 2013, 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 28, 2013

GUERIN, INC. AND AFFILIATE
Consolidated Statements of Financial Position
August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 52,203	\$ 84,414
Accounts receivable	228	-
Interest receivable	-	9
Grants and contributions receivable	<u>10,000</u>	<u>300,633</u>
Total current assets	62,431	385,056
Other Assets		
Cash - reserve funds	152,995	116,609
Cash - security deposits	<u>17,919</u>	<u>17,829</u>
Total other assets	170,914	134,438
Property and Equipment		
Land and improvements	639,822	639,822
Building and improvements	11,575,961	9,543,440
Furniture and fixtures	385,651	319,899
Construction in progress	<u>30</u>	<u>252,147</u>
	12,601,464	10,755,308
Less accumulated depreciation	<u>(1,704,190)</u>	<u>(1,394,583)</u>
Property and equipment, net	<u>10,897,274</u>	<u>9,360,725</u>
Total assets	<u>\$ 11,130,619</u>	<u>\$ 9,880,219</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of long-term debt	\$ 94,959	\$ 82,028
Accounts payable	24,682	210,146
Accrued liabilities	<u>970</u>	<u>862</u>
Total current liabilities	120,611	293,036
Long-term Liabilities		
Security deposits	17,294	17,282
Long-term debt	878,300	874,384
Related party note	<u>454,114</u>	<u>424,855</u>
Total long-term liabilities	<u>1,349,708</u>	<u>1,316,521</u>
Total liabilities	<u>1,470,319</u>	<u>1,609,557</u>
Net Assets		
Unrestricted	1,718,154	1,937,732
Temporarily restricted	<u>7,942,146</u>	<u>6,332,930</u>
Total net assets	<u>9,660,300</u>	<u>8,270,662</u>
Total liabilities and net assets	<u>\$ 11,130,619</u>	<u>\$ 9,880,219</u>

See notes to consolidated financial statements.

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<u>2011</u>		
Unrestricted	Temporarily Restricted	Total
\$ 368,389	\$ 418,958	\$ 787,347
457,000		457,000
219,739		219,739
5,280		5,280
508	-	508
1,050,916	418,958	1,469,874
-	-	-
1,050,916	418,958	1,469,874
457,000		457,000
292,674		292,674
69,146		69,146
37,656		37,656
36,351		36,351
29,197		29,197
16,695		16,695
12,774		12,774
8,592		8,592
6,061		6,061
4,639		4,639
780		780
355	-	355
971,920	-	971,920
78,996	418,958	497,954
1,858,736	5,913,972	7,772,708
<u>\$ 1,937,732</u>	<u>\$ 6,332,930</u>	<u>\$ 8,270,662</u>

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

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Increase in Net Assets	\$ 1,389,638	\$ 497,954
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	309,610	292,674
Decrease (increase) in assets:		
Receivables	290,405	(66,188)
Interest receivable	9	20
Increase (decrease) in liabilities:		
Accounts payable	(185,464)	(41,847)
Accrued liabilities	108	(856)
Net cash flows from operating activities	<u>1,804,306</u>	<u>681,757</u>
Cash Flows From Investing Activities		
Increase in reserve funds	(36,476)	(1,366)
Purchases of property and equipment	<u>(1,846,156)</u>	<u>(579,163)</u>
Net cash flows from investing activities	(1,882,632)	(580,529)
Cash Flows From Financing Activities		
Proceeds from related party	415,000	-
Proceeds from long-term debt	100,000	-
Payments on related party note	(394,000)	(16,728)
Payments on long-term debt	<u>(74,885)</u>	<u>(48,885)</u>
Net cash flows from financing activities	46,115	(65,613)
Net change in cash and cash equivalents	(32,211)	35,615
Cash and cash equivalents at the beginning of the year	<u>84,414</u>	<u>48,799</u>
Cash and cash equivalents at the end of the year	<u>\$ 52,203</u>	<u>\$ 84,414</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 44,500</u>	<u>\$ 22,762</u>
Accounts payable obligations for property and equipment	<u>\$ -</u>	<u>\$ 196,345</u>

GUERIN, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
August 31, 2012 and 2011

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, 2012 and 2011, 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.

GUERIN, INC. AND AFFILIATE
Notes to Consolidated Financial Statements - (Continued)

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:

	<u>2012</u>	<u>2011</u>
Program services	\$ 1,001,809	\$ 934,598
Management and general	50,035	37,147
Fundraising	<u>175</u>	<u>175</u>
	<u>\$ 1,052,019</u>	<u>\$ 971,920</u>

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, 2012, 2011, and 2010 remained subject to examination by the Internal Revenue Service

Advertising Expense - Advertising costs are expensed as incurred. Advertising expense was \$ 3,755 and \$ 355 for the years ended August 31, 2012 and 2011, respectively.

Subsequent Events - Management has evaluated events and transactions occurring subsequent to the statement of financial position of August 31, 2012 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through January 28, 2013, the date these consolidated financial statements were available to be issued.

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, 2012 and 2011 is \$510,348 and \$457,000, 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, 2012 and 2011, total amounts due to

GUERIN, INC. AND AFFILIATE
Notes to Consolidated Financial Statements - (Continued)

NOTE 3 - RELATED PARTY TRANSACTIONS - (Continued)

PSSM for shared expenses were approximately \$11,800 and \$9,700, respectively, and are included in accounts payable on the Statements of Financial Position.

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. Under the loan agreement, interest shall accrue at 1% annually, and no payments would be due until completion of the construction project in December 2011. The project was completed in December 2011, at which time Guerin began paying principal and interest payments to PSSM. Total principal and interest payments to PSSM for the years ended August 31, 2012 and 2011 were \$394,000 and \$21,328, respectively. As of August 31, 2012 and 2011, accrued interest payable relating to the above note was \$ 0 and \$14,966, respectively. During the fiscal year ending August 31, 2012, additional draws were made totaling \$415,000. The balances due to PSSM from the Organization at August 31, 2012 and 2011 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 \$37,948 and \$37,656 for the years ended August 31, 2012 and 2011, respectively. As of August 31, 2012 and 2011, management fees payable to PSSM were approximately \$6,000 and \$4,800, 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:

	<u>2012</u>	<u>2011</u>
Indiana Housing & Community Development Grants	\$ 10,000	\$ 153,784
Contribution from PSSM	-	146,849
Program services	228	-
	<u>\$ 10,228</u>	<u>\$ 300,633</u>

NOTE 5 - CONSTRUCTION IN PROGRESS

During the year ended August 31, 2012 Guerin completed the construction of a fifth and sixth, 7,100 square-foot (each) Villa, located on its Georgetown, Indiana campus that will function as comprehensive-care facility for 20 senior citizens. Funding for construction of the Villa came from various grants and operating funds, which included 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 financial statements.

As of August 31, 2011, Guerin had construction costs of \$252,147 that were included in both Construction in Progress and Grants Receivable on the statement of financial position. The \$153,784 included in Grants Receivable at August 31, 2011 represented draws on each of the IHCDA grants. During the fiscal year ending August 31, 2012, the two Villas were completed with construction costs totaling \$2,032,588 which are included in property and equipment on the statement of financial position. At August 31, 2012, \$10,000 from IHCDA was included in grants receivable and is represents the final draw on the grant aforementioned.

GUERIN, INC. AND AFFILIATE
Notes to Consolidated Financial Statements - (Continued)

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2012</u>	<u>2011</u>
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.	\$ 242,154	\$ 255,704
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.	421,773	451,625
MainSource Bank, payable in monthly installments of \$1,039 including interest at an initial variable rate of 4.5%. The interest rate may change on June 8, 2017. The interest rate is based on the Treasury Constant Maturity 5 year rate in effect 45 days prior to the change date plus 3.5%. The interest rate will never be less than 4.5%. The note matures June 2022. The note is collateralized by Guerin's real estate located in Georgetown, Indiana.	98,681	
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.	181,515	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.	29,136	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.	454,114	453,638
	<u>1,427,373</u>	<u>1,381,267</u>
Less current maturities	94,959	82,028
	<u>\$ 1,332,414</u>	<u>\$ 1,299,239</u>

GUERIN, INC. AND AFFILIATE
Notes to Consolidated Financial Statements - (Continued)

NOTE 6 - LONG-TERM DEBT - (Continued)

Future maturities of long-term debt are as follows:

2013	\$	94,959
2014		97,054
2015		99,224
2016		101,471
2017		103,800
Thereafter		<u>930,865</u>
	\$	<u>1,427,373</u>

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 six 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 Villas expire in the years 2028 through 2032. Failure to comply with the deed restrictions may result in a refundable balance due up to the original amounts of the grants of approximately \$3,243,500.

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, 2012 and 2011, respectively. The reserve fund is held in a separate account and generally not available for operating purposes.

NOTE 8 - PROJECT RENTAL ASSISTANCE PAYMENT CONTRACT

The Affiliate received \$47,611 and \$44,899 during the years ended August 31, 2012 and 2011, respectively, from HUD under a project rental assistance payment contract.

GUERIN, INC. AND AFFILIATE
Notes to Consolidated Financial Statements - (Continued)

NOTE 9 - CHANGES IN RESTRICTED NET ASSETS

Changes in temporarily restricted net assets were as follows:

	Temporarily Restricted Net Assets
Balance 8/31/11	\$ 6,332,930
8/31/12 Increase in net assets	
Guerin- 2 Villas- 20 yr purpose/time restriction - expires 2032 - portion attributable to FYE 8/31/12	643,000
Guerin- 1 Villa- 20 yr purpose/time restriction - expires 2032 - portion attributable to FYE 8/31/12	480,108
Guerin- 1 Villa- 20 yr purpose/time restriction - expires 2032 - portion attributable to FYE 8/31/12	486,108
	486,108
Balance 8/31/12	\$ 7,942,146

NOTE 10 - CONDITIONAL PROMISES TO GIVE

During the year ending August 31, 2011 the Organizations received conditional grant awards for the construction of the fifth and six Villas, 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 was conditionally based upon the completion of the fifth and sixth Villas and was to be paid on draws of the awards with required support documentation for the expenditures. Because these grants were conditional promises to give, only documented claims for draws on the awards are 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. The fifth and sixth Villas were completed during the year ending August 31, 2012 and the remaining funds were requested from IHCDA and AHP totaling \$1,429,216, which was recognized as revenue in the consolidated statements of activities for the fiscal year ending August 31, 2012. At August 31, 2012 \$10,000 of the grant awards was included in grants receivable on the consolidated statements of financial position.

GUERIN, INC. AND AFFILIATE
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2012

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	\$ 480,108
Section 202 Supportive Housing for the Elderly	14.157	2,546,111
HOME Investment Partnerships Program	14.239	<u>536,108</u>
Total Federal Expenditures		<u>\$ 3,562,327</u>

GUERIN, INC. AND AFFILIATE
Note to Schedule of Expenditures of Federal Awards
Year Ended August 31, 2012

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.



Report on Internal Control Over Financial Reporting and on 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, 2012, and have issued our report thereon dated January 28, 2013. 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.

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 *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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2012-1.

The Organizations' response to the finding 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 28, 2013



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, 2012. The Organizations' major federal programs are identified in the summary of auditors' 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 2012-1 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, 2012.

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 2012-1. 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' response to the finding 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 the responses.

This report is intended solely for the information and use of management, the audit committee, others within the entity, the Board of Directors, 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 28, 2013

GUERIN, INC. AND AFFILIATE
Schedule of Findings and Questioned Costs
Year Ending August 31, 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, 2012.
2. No material weaknesses were 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 major programs was disclosed.
5. A qualified opinion was issued on compliance for the major federal program of Guerin, Inc. and Affiliate for the year ended August 31, 2012.
6. The audit did not disclose any audit findings 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 Home Investment Partnerships Program CFDA 14.239
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. 2012-1: 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, 2012.

Criteria: The Organization 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, 2012.

Cause of Condition: During the prior year, the Organization did not detect that one required deposit to the reserve for replacement was not made. This prior year finding was corrected during the current year. In correcting the prior year finding, the Organization made twelve deposits to the reserve for replacement; however only eleven were for the current fiscal year. As a result, one of the required deposits to the reserve for replacement account was not made for the year ending August 31, 2012.

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.

GUERIN, INC. AND AFFILIATE
Schedule of Findings and Questioned Costs - (Continued)

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

See Financial Statement Finding 2012-1 above

GUERIN, INC. AND AFFILIATE
Corrective Action Plan
Year Ending August 31, 2012

CORRECTIVE ACTION PLAN
Year Ending August 31, 2012

Department of Housing and Urban Development

Guerin, Inc. and Affiliate respectfully submits the following corrective action plan for the year ending August 31, 2012.

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

Audit period: September 1, 2011 through August 31, 2012

The findings from the August 31, 2012 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding No. 2012-1: 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 Organization 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

GUERIN, INC. AND AFFILIATE
Summary Schedule of Prior Audit Findings
Year Ending August 31, 2012

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

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 Organization 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 Organization. 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 Organization's year-end financial statements.

Current Status: In fiscal year 2012, the Organization prepared interim financial reports in accordance with accounting principles generally accepted in the United States of America, including the statement of cash flows and full note disclosures, for management and the Board to assess ongoing operating results. The finding is now cleared.

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

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

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.

Current Status: The required deposit was made subsequent to August 31, 2011 and the finding was cleared. However a similar finding 2012-1 has been noted for the current fiscal year ending August 31, 2012.

GUERIN, INC. AND AFFILIATE
Consolidating Statement of Financial Position
August 31, 2012

	Guerin, Inc.	The Meadows of Guerin, Inc.	Eliminations	Consolidated
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 23,035	\$ 29,168	\$ -	\$ 52,203
Accounts receivable	-	228	-	228
Interest receivable	-	-	-	-
Grants and contributions receivable	10,000	-	-	10,000
Total current assets	33,035	29,396	-	62,431
Other Assets				
Cash - reserve funds	28,487	124,508	-	152,995
Cash - security deposits	9,576	8,343	-	17,919
Total other assets	38,063	132,851	-	170,914
Property and Equipment				
Land and improvements	516,797	83,173	39,852	639,822
Building and improvements	9,308,199	2,267,762	-	11,575,961
Furniture and fixtures	374,953	10,698	-	385,651
Construction in progress	30	-	-	30
	10,199,979	2,361,633	39,852	12,601,464
Less accumulated depreciation	(1,500,240)	(203,950)	-	(1,704,190)
Property and equipment, net	8,699,739	2,157,683	39,852	10,897,274
Total assets	<u>\$ 8,770,837</u>	<u>\$ 2,319,930</u>	<u>\$ 39,852</u>	<u>\$ 11,130,619</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Current maturities of long-term debt	\$ 94,959	\$ -	\$ -	\$ 94,959
Accounts payable	7,161	17,521	-	24,682
Accrued liabilities	970	-	-	970
Total current liabilities	103,090	17,521	-	120,611
Long-term Liabilities				
Security deposits	8,980	8,314	-	17,294
Long-term debt	878,300	-	-	878,300
Related party note	454,114	-	-	454,114
Total long-term liabilities	1,341,394	8,314	-	1,349,708
Total liabilities	1,444,484	25,835	-	1,470,319
Net Assets				
Unrestricted	1,882,707	(204,405)	39,852	1,718,154
Temporarily restricted	5,443,646	2,498,500	-	7,942,146
Total net assets	7,326,353	2,294,095	39,852	9,660,300
Total liabilities and net assets	<u>\$ 8,770,837</u>	<u>\$ 2,319,930</u>	<u>\$ 39,852</u>	<u>\$ 11,130,619</u>

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
\$ -	\$ -	\$ -	\$ -	\$ 39,240	\$ 1,661,339	\$ 1,700,579
-	-	-	-	510,348	-	510,348
116,026	-	116,026	-	224,747	-	224,747
5,248	-	5,248	-	5,248	-	5,248
517	-	517	-	735	-	735
121,791	-	121,791	-	780,318	1,661,339	2,441,657
-	-	-	-	52,123	(52,123)	-
121,791	-	121,791	-	832,441	1,609,216	2,441,657
-	-	-	-	510,348	-	510,348
59,730	-	59,730	-	309,610	-	309,610
28,098	-	28,098	-	37,948	-	37,948
13,640	-	13,640	-	37,564	-	37,564
21,399	-	21,399	-	37,597	-	37,597
-	-	-	-	29,534	-	29,534
7,897	-	7,897	-	18,706	-	18,706
9,296	-	9,296	-	16,549	-	16,549
23,944	-	23,944	-	42,297	-	42,297
1,197	-	1,197	-	4,202	-	4,202
1,239	-	1,239	-	3,889	-	3,889
-	-	-	-	3,775	-	3,775
166,440	-	166,440	-	1,052,019	-	1,052,019
(44,649)	-	(44,649)	-	(219,578)	1,609,216	1,389,638
(159,756)	2,498,500	2,338,744	39,852	1,937,732	6,332,930	8,270,662
\$ (204,405)	\$ 2,498,500	\$ 2,294,095	\$ 39,852	\$ 1,718,154	\$ 7,942,146	\$ 9,660,300