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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, 2012 to August 31, 2013. 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, 2013, 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.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**GUERIN, INC. AND AFFILIATE**  
**Consolidated Financial Statements and Supplementary Information**  
**Years Ended August 31, 2013 and 2012**

GUERIN, INC. AND AFFILIATE  
Consolidated Financial Statements and Supplementary Information  
Years Ended August 31, 2013 and 2012

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### Independent Auditors' Report

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

#### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Guerin, Inc. and The Meadows of Guerin, Inc. (Affiliate) (nonprofit organizations), which comprise the consolidated statements of financial position as of August 31, 2013 and 2012, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Guerin, Inc. and Affiliate as of August 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. 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 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 consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Guerin Inc. and Affiliate's internal control over financial reporting and compliance.

*Rodefer Moss & Co, PLLC*

Rodefer Moss & Co, PLLC  
New Albany, Indiana  
January 27, 2014

GUERIN, INC. AND AFFILIATE  
Consolidated Statements of Financial Position  
August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 127,958	\$ 52,203
Accounts receivable	52,550	228
Interest receivable	105	-
Grants and contributions receivable	-	10,000
Total current assets	180,613	62,431
Other Assets		
Cash - reserve funds	189,990	152,995
Cash - security deposits	17,683	17,919
Total other assets	207,673	170,914
Property and Equipment		
Land and improvements	639,822	639,822
Building and improvements	11,626,539	11,575,961
Furniture and fixtures	410,203	385,651
Construction in progress	-	30
	12,676,564	12,601,464
Less accumulated depreciation	(2,055,084)	(1,704,190)
Property and equipment, net	10,621,480	10,897,274
Total assets	\$ 11,009,766	\$ 11,130,619
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Current maturities of long-term debt	\$ 51,847	\$ 94,959
Accounts payable	15,635	24,682
Accrued liabilities	770	970
Total current liabilities	68,252	120,611
Long-term Liabilities		
Security deposits	17,029	17,294
Long-term debt	635,229	878,300
Related party note	-	454,114
Total long-term liabilities	652,258	1,349,708
Total liabilities	720,510	1,470,319
Net Assets		
Unrestricted	2,922,086	1,718,154
Temporarily restricted	7,367,170	7,942,146
Total net assets	10,289,256	9,660,300
Total liabilities and net assets	\$ 11,009,766	\$ 11,130,619

See notes to consolidated financial statements.

**GUERIN, INC. AND AFFILIATE**  
 Consolidated Statements of Activities  
 Years Ended August 31, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	
		Total	Restricted		Total	Restricted
Revenue, Gains, and Other Support						
Grants and contributions	\$ 968,784	\$ 7,500	\$ 976,284	\$ 39,240	\$ 1,661,339	\$ 1,700,579
In-kind rental income	616,848	-	616,848	510,348	-	510,348
Rental income	231,186	-	231,186	224,747	-	224,747
Apartment rental - manager	5,484	-	5,484	5,248	-	5,248
Interest income	762	-	762	735	-	735
Miscellaneous income	91	-	91	-	-	-
Total revenues and other support	<u>1,823,155</u>	<u>7,500</u>	<u>1,830,655</u>	<u>780,318</u>	<u>1,661,339</u>	<u>2,441,657</u>
Net assets released from restriction	<u>582,476</u>	<u>(582,476)</u>	<u>-</u>	<u>52,123</u>	<u>(52,123)</u>	<u>-</u>
	2,405,631	(574,976)	1,830,655	832,441	1,609,216	2,441,657
Expenses						
In-kind contributions expense	616,848	-	616,848	510,348	-	510,348
Depreciation	350,896	-	350,896	309,610	-	309,610
Contract services	53,590	-	53,590	37,948	-	37,948
Utilities	35,172	-	35,172	37,597	-	37,597
Management fees	41,692	-	41,692	37,564	-	37,564
Interest	28,641	-	28,641	29,534	-	29,534
Insurance	20,453	-	20,453	16,549	-	16,549
Miscellaneous	6,003	-	6,003	3,889	-	3,889
Professional fees	27,217	-	27,217	18,706	-	18,706
Repairs and maintenance	10,745	-	10,745	42,297	-	42,297
Supplies	9,400	-	9,400	4,202	-	4,202
Advertising	1,042	-	1,042	3,775	-	3,775
Total expenses	<u>1,201,699</u>	<u>-</u>	<u>1,201,699</u>	<u>1,052,019</u>	<u>-</u>	<u>1,052,019</u>
Net increase (decrease) in total net assets	1,203,932	(574,976)	628,956	(219,578)	1,609,216	1,389,638
Net assets at the beginning of the year	<u>1,718,154</u>	<u>7,942,146</u>	<u>9,660,300</u>	<u>1,937,732</u>	<u>6,332,930</u>	<u>8,270,662</u>
Net assets at the end of the year	<u>\$ 2,922,086</u>	<u>\$ 7,367,170</u>	<u>\$ 10,289,256</u>	<u>\$ 1,718,154</u>	<u>\$ 7,942,146</u>	<u>\$ 9,660,300</u>

See notes to consolidated financial statements.

GUERIN, INC. AND AFFILIATE  
Consolidated Statements Cash Flows  
Years Ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Increase in Net Assets	\$ 628,956	\$ 1,389,638
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	350,896	309,610
Decrease (increase) in assets:		
Grants and accounts receivable	(42,322)	290,405
Interest receivable	(105)	9
Increase (decrease) in liabilities:		
Security deposits	(265)	-
Accounts payable	(9,047)	(185,464)
Accrued liabilities	(200)	108
	<u>927,913</u>	<u>1,804,306</u>
Net cash flows from operating activities		
Cash Flows From Investing Activities		
Increase in reserve funds and security deposits	(36,759)	(36,476)
Purchases of property and equipment	(75,102)	(1,846,156)
	<u>(111,861)</u>	<u>(1,882,632)</u>
Net cash flows from investing activities		
Cash Flows From Financing Activities		
Proceeds from related party	-	415,000
Proceeds from long-term debt	-	100,000
Payments on related party note	(454,114)	(394,000)
Payments on long-term debt	(286,183)	(74,885)
	<u>(740,297)</u>	<u>46,115</u>
Net cash flows from financing activities		
Net change in cash and cash equivalents	75,755	(32,211)
Cash and cash equivalents at the beginning of the year	<u>52,203</u>	<u>84,414</u>
Cash and cash equivalents at the end of the year	<u>\$ 127,958</u>	<u>\$ 52,203</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 28,641</u>	<u>\$ 44,500</u>
Non-cash financing activity - forgiveness of related party note	<u>\$ 350,220</u>	<u>\$ -</u>



GUERIN, INC. AND AFFILIATE  
Notes to Consolidated Financial Statements  
August 31, 2013 and 2012

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.

**Method of Accounting** - The accounting records of the Organizations maintained using the accrual method of accounting. Under this method of accounting, revenues and expenditures are identified with specific periods of time and are recorded as incurred, without regard to the date of receipt or payment of cash.

**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, 2013 and 2012, 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>2013</u>		<u>2012</u>
Program services	\$ 1,158,746	\$	1,001,809
Management and general	42,953		50,035
Fundraising	-		175
	<u>\$ 1,201,699</u>	\$	<u>1,052,019</u>

**Income Taxes** - The Organizations 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, 2013, 2012, and 2011 remained subject to examination by the Internal Revenue Service

**Advertising Expense** - Advertising costs are expensed as incurred. Advertising expense was \$1,042 and \$3,775 for the years ended August 31, 2013 and 2012, respectively.

**Date of Management's Review** - Management has evaluated events and transactions occurring subsequent to the statement of financial position of August 31, 2013 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through January 27, 2014, the date these consolidated financial statements were available to be issued.

NOTE 2 - 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, 2013 and 2012 is \$616,848 and \$510,348, 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. Guerin and Affiliate have entered into management agreements with PSSM to provide management and administrative services. Management fee expenses related to these agreements were \$35,172 and \$37,564 for the years ended August 31, 2013 and 2012, respectively. As of August 31, 2013 and 2012, total amounts due to PSSM for shared expenses and management fees were approximately \$11,300 and \$17,800, respectively, and are included in accounts payable on the Statements of Financial Position.

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

NOTE 2 - 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. Under the loan agreement, interest was to 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. During the fiscal year ending August 31, 2012, additional draws were made totaling \$415,000. Total principal and interest payments to PSSM for the years ended August 31, 2013 and 2012 were \$454,114 and \$394,000, respectively. During the year ending August 31, 2013, PSSM forgave the remaining balance of the loan in the amount of \$350,220, which is included in contributions on the Statement of Activities and reflected in the payment totals listed above. The balance due to PSSM from the Organization at August 31, 2013 and 2012 was \$0 and \$454,114, respectively.

During the year ending August 31, 2013, PSSM began contributing \$45,000 per month to Guerin, Inc.; however there is no formal written agreement for these contributions. Total contributions from PSSM for the years ending August 31, 2013 and 2012 totaled \$590,000 and \$25,740, respectively. At August 31, 2013 and 2012, contributions receivable from PSSM totaled \$45,000 and \$0, respectively.

NOTE 3 - 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 4 - GRANTS AND ACCOUNTS RECEIVABLE

Grants and Accounts Receivable consist of the following:

	<u>2013</u>	<u>2012</u>
Indiana Housing & Community Development Grants	\$ -	\$ 10,000
Contribution from PSSM	45,000	-
Program services	<u>7,550</u>	<u>228</u>
	<u>\$ 52,550</u>	<u>\$ 10,228</u>

NOTE 5 - REAL ESTATE - VILLAS

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 Villas 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 9 to the financial statements.

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>2013</u>	<u>2012</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.	\$ 228,468	\$ 242,154
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.	388,754	421,773
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.	69,854	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
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
Related party note payable to PSSM in monthly installments of \$2,743 including interest at a fixed rate of 1.00%. The note was to mature in November 2025; however during the year ending August 31, 2013, the remaining balance was forgiven as described in Note 2.	-	454,114
Total Debt	<u>687,076</u>	<u>1,427,373</u>
Less current maturities	<u>51,847</u>	<u>94,959</u>
Total Long-Term Debt	<u>\$ 635,229</u>	<u>\$ 1,332,414</u>

Future maturities of long-term debt are as follows:

<u>Years ending August 31,</u>	
2014	\$ 51,847
2015	55,616
2016	56,854
2017	58,127
2018	59,436
Thereafter	<u>405,196</u>
	<u>\$ 687,076</u>

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

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 expired in 2012 and accordingly \$574,976 was released from restrictions during the fiscal year ending August 31, 2013. Failure to comply with the deed restrictions may result in a refundable balance due up to the original amounts of the grants of approximately \$1,623,000. As a result of the purpose restrictions, these amounts are included in temporarily restricted net assets.

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. As a result of the purpose restrictions, these amounts are included in temporarily restricted net assets.

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. As a result of the purpose restrictions, these amounts are included in temporarily restricted net assets.

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 \$107,882 and \$104,550 as of August 31, 2013 and 2012, 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 \$48,619 and \$47,611 during the years ended August 31, 2013 and 2012, respectively, from HUD under a project rental assistance payment contract.

NOTE 9 - 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. 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. There were no conditional promises to give as of August 31, 2013.

GUERIN, INC. AND AFFILIATE  
Schedule of Expenditures of Federal Awards  
Year Ended August 31, 2013

Federal Grantor/ Program Title	Federal CFDA Number	Federal Award Expended
U.S. Department of Housing and Urban Development		
Section 202 Supportive Housing for the Elderly	14.157	\$ 2,498,500
Section 202 Project Rental Assistance	14.157	<u>48,619</u>
Total Federal Expenditures		<u>\$ 2,547,119</u>

GUERIN, INC. AND AFFILIATE  
Note to Schedule of Expenditures of Federal Awards  
Year Ended August 31, 2013

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.

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Independent Auditors' 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, in accordance with the 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, the consolidated financial statements of Guerin, Inc. and Affiliate (Organizations), which comprise the statement of financial position as of August 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 27, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organizations' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organizations' consolidated financial statements are free from 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 consolidated 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organizations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Roderer Moss & Co, PLLC*

Roderer Moss & Co, PLLC  
New Albany, Indiana  
January 27, 2014

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Independent Auditors' Report on Compliance for Each Major Program and on  
Internal Control Over Compliance required by OMB Circular A-133

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

**Report on Compliance for Each Major Federal Program**

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, 2013. The Organizations' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organizations' major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organizations' compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Organizations' complied, in all material respects, with the types of 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, 2013.

**Report on Internal Control Over Compliance**

Management of the Organizations' are responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organizations' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Roderfer Moss & Co, PLLC*

Roderfer Moss & Co, PLLC  
New Albany, Indiana  
January 27, 2014

GUERIN, INC. AND AFFILIATE  
Schedule of Findings and Questioned Costs  
Year Ending August 31, 2013

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

1. An unmodified opinion was issued on the audit of the financial statements of Guerin, Inc. and Affiliate for the year ended August 31, 2013.
2. No 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.
4. No material weaknesses in internal control over major programs were disclosed by the audit.
5. An unmodified opinion was issued on compliance for the major federal program of Guerin, Inc. and Affiliate for the year ended August 31, 2013.
6. The audit did not disclose audit findings required to be reported under Section 510(a) of OMB Circular A-133.
7. The program tested as a major program included:  
    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):**

No findings noted.

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

No findings noted.

GUERIN, INC. AND AFFILIATE  
Summary Schedule of Prior Audit Findings  
Year Ending August 31, 2013

**Department of Housing and Urban Development**

**Finding No. 2012-1: 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, 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.

**Current Status:** The required deposit was made subsequent to August 31, 2012 and the finding was cleared.

GUERIN, INC. AND AFFILIATE  
Consolidating Statement of Financial Position  
August 31, 2013

	Guerin, Inc.	The Meadows of Guerin, Inc.	Eliminations	Consolidated
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 126,857	\$ 1,101	\$ -	\$ 127,958
Accounts receivable	45,000	7,550	-	52,550
Interest receivable	105	-	-	105
Total current assets	171,962	8,651	-	180,613
<b>Other Assets</b>				
Cash - reserve funds	50,000	139,990	-	189,990
Cash - security deposits	9,603	8,080	-	17,683
Total other assets	59,603	148,070	-	207,673
<b>Property and Equipment</b>				
Land and improvements	516,797	83,173	39,852	639,822
Building and improvements	9,351,147	2,275,392	-	11,626,539
Furniture and fixtures	395,056	15,147	-	410,203
	10,263,000	2,373,712	39,852	12,676,564
Less accumulated depreciation	(1,790,461)	(264,623)	-	(2,055,084)
Property and equipment, net	8,472,539	2,109,089	39,852	10,621,480
Total assets	<u>\$ 8,704,104</u>	<u>\$ 2,265,810</u>	<u>\$ 39,852</u>	<u>\$ 11,009,766</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Current maturities of long-term debt	\$ 51,847	\$ -	\$ -	\$ 51,847
Accounts payable	7,464	8,171	-	15,635
Accrued liabilities	770	-	-	770
Total current liabilities	60,081	8,171	-	68,252
<b>Long-term Liabilities</b>				
Security deposits	8,980	8,049	-	17,029
Long-term debt	635,229	-	-	635,229
Total long-term liabilities	644,209	8,049	-	652,258
Total liabilities	704,290	16,220	-	720,510
<b>Net Assets</b>				
Unrestricted	3,131,144	(248,910)	39,852	2,922,086
Temporarily restricted	4,868,670	2,498,500	-	7,367,170
Total net assets	7,999,814	2,249,590	39,852	10,289,256
Total liabilities and net assets	<u>\$ 8,704,104</u>	<u>\$ 2,265,810</u>	<u>\$ 39,852</u>	<u>\$ 11,009,766</u>

See independent auditors' report on supplementary information.

GUERIN, INC. AND AFFILIATE  
Consolidating Statement of Activities  
Year Ended August 31, 2013

	Guerin, Inc.		The Meadows of Guerin, Inc.		Eliminations		Consolidated	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>Revenue, Gains, and Other Support</b>								
Grants and contributions	\$ 968,784	\$ 7,500	\$ -	\$ -	\$ -	\$ -	\$ 968,784	\$ 7,500
In-kind rental income	616,848	-	-	-	-	-	616,848	-
Rental income	111,635	-	119,551	-	-	-	231,186	-
Apartment rental - manager	-	-	5,484	-	-	-	5,484	-
Interest income	148	-	614	-	-	-	762	-
Miscellaneous income	91	-	-	-	-	-	91	-
<b>Total revenues and other support</b>	<b>1,697,506</b>	<b>7,500</b>	<b>125,649</b>	<b>-</b>	<b>125,649</b>	<b>-</b>	<b>1,823,155</b>	<b>7,500</b>
	<u>582,476</u>	<u>(582,476)</u>	-	-	-	-	<u>582,476</u>	<u>(582,476)</u>
	2,279,982	(574,976)	125,649	-	125,649	-	2,405,531	(574,976)
<b>Expenses</b>								
In-kind contributions expense	616,848	-	-	-	-	-	616,848	-
Depreciation	290,223	-	60,673	-	60,673	-	330,896	-
Contract services	11,855	-	41,735	-	41,735	-	53,590	-
Utilities	18,498	-	23,194	-	23,194	-	41,692	-
Management fees	21,468	-	13,704	-	13,704	-	35,172	-
Interest	28,641	-	-	-	-	-	28,641	-
Insurance	14,103	-	13,114	-	13,114	-	27,217	-
Miscellaneous	9,941	-	10,512	-	10,512	-	20,453	-
Professional fees	10,745	-	-	-	-	-	10,745	-
Repairs and maintenance	8,050	-	1,350	-	1,350	-	9,400	-
Supplies	131	-	5,872	-	5,872	-	6,003	-
Advertising	1,042	-	-	-	-	-	1,042	-
<b>Total expenses</b>	<b>1,031,545</b>	<b>-</b>	<b>170,154</b>	<b>-</b>	<b>170,154</b>	<b>-</b>	<b>1,201,699</b>	<b>-</b>
<b>Net increase (decrease) in total net assets</b>	<b>1,248,437</b>	<b>(574,976)</b>	<b>(44,505)</b>	<b>-</b>	<b>(44,505)</b>	<b>-</b>	<b>1,203,932</b>	<b>(574,976)</b>
<b>Net assets at the beginning of the year</b>	<b>1,882,707</b>	<b>5,443,646</b>	<b>(204,405)</b>	<b>2,498,500</b>	<b>2,294,095</b>	<b>39,852</b>	<b>1,718,154</b>	<b>7,942,146</b>
<b>Net assets at the end of the year</b>	<b>\$ 3,131,144</b>	<b>\$ 4,868,670</b>	<b>\$ (248,910)</b>	<b>\$ 2,498,500</b>	<b>\$ 2,249,590</b>	<b>\$ 39,852</b>	<b>\$ 2,972,086</b>	<b>\$ 7,367,170</b>
								<b>\$ 10,289,256</b>

See independent auditors' report on supplementary information.