

**BARAGA COUNTY SHELTER HOME, INC.
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

For the Years Ended September 30, 2011 and 2010

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORTS:	
Independent Auditor's Report	3
FINANCIAL STATEMENTS:	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Operating Expenses	6
Statements of Cash Flows	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTAL INFORMATION:	
Statement of Activities and Changes in Net Assets - Budget and Actual	12
Statement of Operating Expenses - Budget and Actual	13
COMMUNICATIONS SECTION	
Communication with Those Charged with Governance	15

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931

906.482.6601 906.482.9046 fax www.rukkilanegro.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Baraga County Shelter Home, Inc.
L'Anse, Michigan

We have audited the accompanying statements of financial position of the Baraga County Shelter Home, Inc., (a Michigan nonprofit organization) as of September 30, 2011 and 2010, and the related statements of activities and changes in net assets, cash flows, and operating expenses for the years then ended. These financial statements are the responsibility of the Baraga County Shelter Home, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Baraga County Shelter Home, Inc., as of September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements taken as a whole.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

March 9, 2012

BARAGA COUNTY SHELTER HOME, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2011 and 2010

	2011	2010
ASSETS:		
Current Assets:		
Cash	\$ 69,358	\$ 79,115
Accounts receivable	7,763	-
Grants receivable	25,571	25,853
TOTAL CURRENT ASSETS	102,692	104,968
Fixed Assets:		
Land	1,400	1,400
Building	14,122	14,122
Furniture and equipment	20,614	19,224
Leasehold improvements	8,548	8,548
	44,684	43,294
Less accumulated depreciation	(40,492)	(38,557)
NET FIXED ASSETS	4,192	4,737
TOTAL ASSETS	\$ 106,884	\$ 109,705
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 573	\$ -
Accrued expenses	3,370	3,197
Total current liabilities	3,943	3,197
TOTAL LIABILITIES	3,943	3,197
Net Assets:		
Unrestricted	102,941	106,508
TOTAL LIABILITIES AND NET ASSETS	\$ 106,884	\$ 109,705

The accompanying notes to the financial statements are an integral part of this statement.

BARAGA COUNTY SHELTER HOME, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended September 30, 2011 and 2010

	2011	2010
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES AND SUPPORT:		
Federal:		
Michigan State Housing and Development	\$ 25,000	\$ 20,944
Victims of Crime Act	50,099	50,098
FEMA	-	5,195
State:		
Department of Human Services	197,802	184,890
MCAH-HMIS	8,000	-
Local:		
KBIC	27,843	13,460
Marquette - Alger ISD	1,450	750
Salvation Army	4,536	3,888
Donations:		
Cash	400	1,850
In-kind	45,118	32,443
Other	2,395	5,837
TOTAL REVENUES AND SUPPORT	362,643	319,355
Operating expenses	366,731	313,598
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(4,088)	5,757
OTHER UNRESTRICTED REVENUES (EXPENSES):		
Interest income	521	815
Loss on disposal of fixed asset	-	(350)
TOTAL OTHER UNRESTRICTED REVENUES (EXPENSES)	521	465
INCREASE (DECREASE) IN NET ASSETS	(3,567)	6,222
NET ASSETS, BEGINNING OF YEAR	106,508	100,286
NET ASSETS, END OF YEAR	\$ 102,941	\$ 106,508

The accompanying notes to the financial statements are an integral part of this statement.

BARAGA COUNTY SHELTER HOME, INC.
STATEMENTS OF OPERATING EXPENSES
For the years ended September 30, 2011 and 2010

	2011	2010
OPERATING EXPENSES:		
Salaries and wages	\$ 221,444	\$ 212,345
Employee benefits	27,775	24,403
Donated supplies	45,118	32,443
Occupancy	5,776	3,111
Supplies	11,845	7,686
Professional fees	3,860	3,750
Communications	7,238	6,321
Transportation and education	20,093	12,616
Insurance	4,255	3,148
Depreciation	1,935	2,248
Miscellaneous	17,392	5,527
TOTAL OPERATING EXPENSES	\$ 366,731	\$ 313,598

The accompanying notes to the financial statements are an integral part of this statement.

BARAGA COUNTY SHELTER HOME, INC.
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Changes in Net Assets	\$ (3,567)	\$ 6,222
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,935	2,248
(Increase) decrease in accounts receivable	(7,481)	3,703
Increase (decrease) in accounts payable	573	(203)
Increase (decrease) in accrued liabilities	173	(6,779)
(Gain) loss on disposal of property	-	350
Total adjustments	(4,800)	(681)
Net cash provided (used) by operating activities	(8,367)	5,541
 Cash flow from investing activities:		
Purchase of fixed asset	(1,390)	(879)
Net cash provided (used) by investing activities	(1,390)	(879)
 Net increase (decrease) in cash and equivalents	(9,757)	4,662
Cash and equivalents, beginning of year	79,115	74,453
Cash and equivalents, end of year	\$ 69,358	\$ 79,115

The accompanying notes to the financial statements are an integral part of this statement.

BARAGA COUNTY SHELTER HOME, INC.
NOTES TO FINANCIAL STATEMENTS - SEPTEMBER 30, 2011 AND 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Baraga County Shelter Home, Inc. (the "Shelter") is a Michigan nonprofit corporation, incorporated pursuant to the provisions of Act 327, Public Acts of 1931, as amended, and Act 284, exclusively for charitable purposes and offers crisis and support counseling for female victims of domestic violence and their dependent children; and assists victims in obtaining legal, financial, case finding services, housing, and child care programs. The Shelter may also conduct such other business as authorized by the General Corporation Act and by law.

Basis of Accounting

The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The Shelter uses the accrual basis of accounting for financial statement reporting purposes. Under the accrual basis, revenues are recognized when earned and expenditures are recognized when the related liability is incurred.

Financial Statement Presentation

The Shelter reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets - Those resources over which the Board has discretionary control.

Temporarily restricted net assets - Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Board or by the passage of time.

Permanently restricted net assets - Those resources subject to donor-imposed restrictions that they be maintained permanently by the Board. Generally, the donors of these resources will allow the Board to utilize all or part of the income earned on the related investments for unrestricted or temporarily restricted purposes.

Contributions

The Shelter also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support.

Donations In-kind

The Shelter receives donations in the form of supplies such as food, clothing, household supplies, and books. Brand new items are valued at their retail price. The value of used items such as clothing and household goods are an estimate and usually provided by the donor. Donated supplies received by the Shelter and recorded as in-kind revenue totaled \$45,118 and \$32,443 for the years ending September 30, 2011 and 2010, respectively.

BARAGA COUNTY SHELTER HOME, INC.
NOTES TO FINANCIAL STATEMENTS - SEPTEMBER 30, 2011 AND 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at their estimated value at date of receipt. Depreciation is computed using the straight-line method, based on the estimated useful life of the related assets. Capital asset activities is as follows:

	Balance 09/30/10	Additions	Deletions	Balance 09/30/11
Land	\$ 1,400	\$ -	\$ -	\$ 1,400
Fixed assets being depreciated:				
Building	14,122	-	-	14,122
Furniture and Equipment	19,224	1,390	-	20,614
Leasehold Improvements	8,548	-	-	8,548
Subtotal	<u>41,894</u>	<u>\$ 1,390</u>	<u>\$ -</u>	<u>43,284</u>
Accumulated depreciation:				
Building	13,232	356	-	13,588
Furniture and Equipment	17,363	1,182	-	18,545
Leasehold Improvements	<u>7,962</u>	<u>397</u>	-	<u>8,359</u>
Subtotal	<u>38,557</u>	<u>\$ 1,935</u>	<u>\$ -</u>	<u>40,492</u>
Net capital assets being depreciated	<u>3,337</u>			<u>2,792</u>
Net capital assets	<u>\$ 4,737</u>			<u>\$ 4,192</u>

Depreciation expense for the years ended September 30, 2011 and 2010 was \$1,935 and \$2,248, respectively.

Income Taxes

In accordance with Section 501(c)(3) of the Internal Revenue Code, Baraga County Shelter Home, Inc. is a corporation exempt from Federal Income Tax.

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.

NOTE B - CASH AND INVESTMENTS

For the purpose of the statement of cash flows, cash includes cash on hand and checking accounts. One hundred percent (100%) of Shelter's deposits are insured by the Federal Deposit Insurance Corp. (FDIC) at the September 30, 2011 balance sheet date, per FDIC regulation number 330.8.

Baraga County Community Foundation

The Baraga County Shelter Home, Inc. Fund was established with the Baraga County Community Foundation with funds contributed by private donors. This is not recorded on the Shelter's accounting system and the market value of the investment was unavailable at the time the audit report was issued.

BARAGA COUNTY SHELTER HOME, INC.
NOTES TO FINANCIAL STATEMENTS - SEPTEMBER 30, 2011 AND 2010

NOTE C - RECEIVABLES

Receivables at September 30, 2011 that are expected to be collected within one year consist of the following:

Grant receivables	\$	25,571
Other receivables		<u>7,763</u>
	\$	<u><u>33,334</u></u>

NOTE D - PAYABLES

Accounts payable and accrued liabilities as of September 30, 2011 for the Shelter are as follows:

Accounts payable	\$	573
Salaries payable		3,128
Accrued expenses		<u>242</u>
	\$	<u><u>3,943</u></u>

NOTE E - ECONOMIC DEPENDENCY

The Shelter receives a significant portion of its funding from the Department of Human Service and the Michigan Department of Human Health. This represents approximately 78% and 82% of its total funding for fiscal years ending September 30, 2011 and 2010, respectively.

SUPPLEMENTAL INFORMATION

BARAGA COUNTY SHELTER HOME, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
For the year ended September 30, 2011

	Budget	Actual	Variance
CHANGES IN UNRESTRICTED NET ASSETS:			
REVENUE:			
Federal:			
Michigan State Housing and Development	\$ 25,000	\$ 25,000	\$ -
Victims of Crime Act	50,099	50,099	-
FEMA	3,800	-	(3,800)
State:			
Department of Human Services	186,536	197,802	11,266
MCAH-HMIS	-	8,000	8,000
Local:			
KBIC	10,000	27,843	17,843
Marquette - Alger ISD	1,450	1,450	-
Salvation Army	3,000	4,536	1,536
Donations:			
Cash	10,000	400	(9,600)
In-kind	-	45,118	45,118
Other	724	2,395	1,671
TOTAL REVENUES	290,609	362,643	72,034
OPERATING EXPENSES	291,059	366,731	(75,672)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(450)	(4,088)	(3,638)
OTHER UNRESTRICTED REVENUES (EXPENSES)			
Interest income	450	521	71
TOTAL OTHER UNRESTRICTED REVENUES (EXPENSES)	450	521	71
INCREASE (DECREASE) IN NET ASSETS	-	(3,567)	(3,567)
NET ASSETS, BEGINNING OF YEAR	-	106,508	106,508
NET ASSETS, END OF YEAR	\$ -	\$ 102,941	\$ 102,941

BARAGA COUNTY SHELTER HOME, INC.
STATEMENT OF OPERATING EXPENSES
BUDGET AND ACTUAL
For the year ended September 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING EXPENSES:			
Salaries and wages	\$ 206,478	\$ 221,444	\$ (14,966)
Employee benefits	27,957	27,775	182
Donated supplies	-	45,118	(45,118)
Occupancy	4,465	5,776	(1,311)
Supplies	6,059	11,845	(5,786)
Professional fees	5,100	3,860	1,240
Communications	5,816	7,238	(1,422)
Transportation and education	14,026	20,093	(6,067)
Insurance	5,107	4,255	852
Depreciation	-	1,935	(1,935)
Miscellaneous	16,051	17,392	(1,341)
TOTAL OPERATING EXPENSES	<u>\$ 291,059</u>	<u>\$ 366,731</u>	<u>\$ (75,672)</u>

COMMUNICATIONS SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Shelden Avenue, Houghton, Michigan 49931

906.482.6601 906.482.9046 fax www.rukkilanegro.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors
Baraga County Shelter Home
L'Anse, Michigan 44946

We have audited the financial statements of Baraga County Shelter Home for the year ended September 30, 2011 and have issued our report thereon dated March 9, 2012. Professional standards require that we provide you with information about our responsibilities under United States Generally Accepted Auditing Standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 17, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Baraga County Shelter are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2011. We noted no transactions entered into by Baraga County Shelter during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of fixed assets used to calculate depreciation is based on the approximated useful lives of the assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 9, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the board of Directors and management of Baraga County Shelter Home, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

It has been a pleasure to provide audit services to Baraga County Shelter Home, Inc.. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

Very truly yours,
**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

March 9, 2012

BARAGA COUNTY SHELTER HOME, INC.
COMMENTS & RECOMMENDATIONS - SEPTEMBER 30, 2011

During our audit we became aware of an opportunity for strengthening internal controls and operating efficiencies. The following summarizes our comments and suggestions regarding the matter.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations.

Improving Budget Practice

We recommend that budget practices be improved by adopting prior to the beginning of the fiscal year and monitoring budget variances during the year and making amendments as necessary.