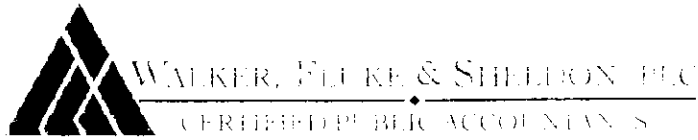


**SOUTH END COMMUNITY
OUTREACH MINISTRIES**
FINANCIAL STATEMENTS
For the year ended June 30, 2011

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525 W. Apple Street
Hastings, MI 49658
Phone: (269) 945-9452
Fax: (269) 945-4890

Christopher J. Fluke, CPA
Katharine K. Sheldon, CPA
David G. DeHaan, CPA

101 S. State Road
Kalamazoo, MI 48856
Phone: (616) 522-0792
Fax: (616) 522-0873

INDEPENDENT AUDITORS' REPORT

The Board of Directors
South End Community Outreach Ministries
Grand Rapids, MI

We have audited the accompanying statement of financial position of South End Community Outreach Ministries (SECOM) (a Michigan nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of SECOM's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from SECOM's 2010 financial statements and, in our report dated October 4, 2010, we expressed an unqualified opinion on those financial statements.

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 South End Community Outreach Ministries as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hastings, MI
October 18, 2011

Walker, Fluke & Sheldon, P.C.

South End Community Outreach Ministries
Statement of Financial Position
June 30, 2011
With Comparative Totals for the Year Ended June 30, 2010

Assets

	2011	2010
Current assets:		
Cash and cash equivalents	\$ 75,086	\$ 97,856
Investments	2,507	2,505
Contributions receivable, net of allowance	8,031	4,844
Grant receivable, net of allowance	12,837	23,751
Other receivable	14,144	-
Total current assets	112,605	128,956
Property, furniture and equipment, net of Accumulated depreciation	867,538	888,789
Total assets	\$ 980,143	\$ 1,017,745

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 2,292	\$ -
Accrued and other liabilities	17,724	24,881
Current portion of note payable	9,204	17,500
Total current liabilities	29,220	42,381
Long-term liabilities:		
Notes payable	117,237	148,117
Total long-term liabilities	117,237	148,117
Total liabilities	146,457	190,498
Net assets:		
Unrestricted	815,497	770,505
Temporarily restricted	18,189	56,742
Permanently restricted	-	-
Total net assets	833,686	827,247
Total liabilities and net assets	\$ 980,143	\$ 1,017,745

The accompanying notes are an integral part of these financial statements.

South End Community Outreach Ministries
Statement of Activities
For the Year Ended June 30, 2011
With Comparative Totals for the Year Ended June 30, 2010

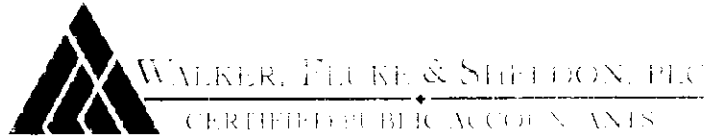
	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, gains, and other support:					
Contributions and grants	\$ 206,416	\$ 24,684	\$ -	\$ 231,100	\$ 265,879
In-kind contributions	237,601	66	-	237,667	308,309
FEMA grant	-	11,845	-	11,845	22,672
Program fees	890	-	-	890	2,162
Rent income	34,920	-	-	34,920	34,920
Other	21,020	-	-	21,020	5,723
Net assets released from restrictions:					
Satisfaction of purpose restrictions	75,148	(75,148)	-	-	-
Total revenues, gains, and other support	<u>575,995</u>	<u>(38,553)</u>	<u>-</u>	<u>537,442</u>	<u>639,665</u>
Expenses and losses:					
Program services	403,833	-	-	403,833	514,284
Supporting services:					
General and administrative	93,234	-	-	93,234	148,195
Fund-raising	33,936	-	-	33,936	11,563
Total expenses and losses	<u>531,003</u>	<u>-</u>	<u>-</u>	<u>531,003</u>	<u>674,042</u>
Changes in net assets	44,992	(38,553)	-	6,439	(34,377)
Net assets at beginning of year	<u>770,505</u>	<u>56,742</u>	<u>-</u>	<u>827,247</u>	<u>861,624</u>
Net assets at end of year	<u>\$ 815,497</u>	<u>\$ 18,189</u>	<u>\$ -</u>	<u>\$ 833,686</u>	<u>\$ 827,247</u>

The accompanying notes are an integral part of these financial statements.

South End Community Outreach Ministries
Statement of Functional Expenses
For the Year Ended June 30, 2011
With Comparative Totals for the Year Ended June 30, 2010

	2011			2010				
	Program Services	General and Administrative	Fund-Raising	Total	Program Services	General and Administrative	Fund-Raising	Total
Accounting	\$ 5,846	\$ 1,002	\$ 428	\$ 7,276	\$ 6,915	\$ 895	\$ 325	\$ 8,136
Employee wages and benefits	79,433	42,343	30,224	152,000	138,444	36,171	9,182	183,797
Telephone	2,119	412	173	2,704	2,281	324	111	2,716
Occupancy	14,154	18,288	838	33,280	10,233	16,807	982	28,022
Postage	48	613	202	863	109	863	11	983
Interest	-	9,751	-	9,751	-	13,525	-	13,525
Depreciation	18,441	10,794	-	29,235	-	28,847	-	28,847
Supplies	204	746	29	979	-	1,142	642	1,784
Insurance	4,861	1,805	281	6,947	3,585	2,885	167	6,637
General program	264,161	-	-	264,161	340,588	-	-	340,588
Contract labor	6,816	30	-	6,846	9,456	1,025	-	10,481
Administrative	3,787	5,039	923	9,749	666	4,431	34	5,131
Equipment maintenance	2,777	1,864	176	4,817	889	712	15	1,616
Staff development	40	11	-	51	-	2,145	-	2,145
Printing	1,141	536	622	2,299	1,078	158	94	1,330
Travel	5	-	40	45	40	45	-	85
Prior years pledge loss	-	-	-	-	-	38,220	-	38,220
Totals	\$ 403,833	\$ 93,234	\$ 33,936	\$ 531,003	\$ 514,284	\$ 148,195	\$ 11,563	\$ 674,042

The accompanying notes are an integral part of these financial statements.



525 W. Apple Street
Hastings, MI 49058
Phone (269) 945-9452
Fax (269) 945-4890

Christopher J. Fuke, CPA
Katherine K. Sheldon, CPA
David G. DeHaan, CPA

100 S. State Road
Loma, MI 48846
Phone (616) 522-0792
Fax (616) 522-0873

To the Audit Committee and Board of Directors
South End Community Outreach Ministries
Grand Rapids, Michigan

We have recently completed our audit of the basic financial statements of South End Community Outreach Ministries for the year ended June 30, 2011. As an addition to the audit report, the following report on internal control and results of the audit are being provided to South End Community Outreach Ministries.

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We are very thankful for the opportunity to be of service to South End Community Outreach Ministries. Should you have any questions regarding these reports, please do not hesitate to contact us.

Hastings, Michigan
October 18, 2011

Walker, Fuke & Sheldon, PLLC



WALKER, FLUKE & SHELDON, PLC
CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street
Hastings, MI 49058
Phone (269) 945-9452
Fax (269) 945-4800

Christopher J. Fluke, CPA
Katherine K. Sheldon, CPA
David G. DeHaan, CPA

3077 S. State Road
Tonia, MI 48846
Phone (616) 522-0792
Fax (616) 522-0873

To the Audit Committee and Board of Directors
South End Community Outreach Ministries
Grand Rapids, Michigan

In planning and performing our audit of the financial statements of the South End Community Outreach Ministries as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered South End Community Outreach Ministries' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion of the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in South End Community Outreach Ministries' internal control to be material weaknesses:

- The Organization does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. This is a recurring comment. Currently, the Organization contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries, because the additional benefits derived from implementing a system, would not outweigh the costs incurred.

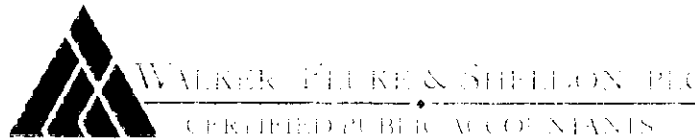
A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in South End Community Outreach Ministries' internal control to be significant deficiencies:

- Certificates of deposit are not being recorded at the proper balance and are not being reconciled. This is a repeat comment from the prior year.
- Rents receivable are not being tracked or recorded in the general ledger.

This communication is intended solely for the information and use of management, the audit committee and board of directors of South End Community Outreach Ministries, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, Michigan
October 18, 2011

Walker, Fluke & Sheldon, PLC



525 W. Apple Street
Hastings, MI 49058
Phone (269) 945-9452
Fax (269) 945-4890

Christopher F. Fink, CPA
Katherine K. Sheldon, CPA
David G. DeHaan, CPA

107 S. State Road
E. Troy, MI 48067
Phone (616) 522-0702
Fax (616) 522-0873

October 18, 2011

To the Audit Committee and Board of Directors
South End Community Outreach Ministries (SECOM)

We have audited the financial statements of SECOM for the year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. Professional standards require that we provide you with information about our responsibilities under 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 26, 2010. 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 SECOM 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 June 30, 2011. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 In-kind contributions is based on cost that would have been incurred to purchase such items with the exception of in-kind donations of food. In-kind donations of food are estimated by weight. We evaluated the key factors and assumptions used to develop the in-kind estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation is based on estimated useful lives of capital assets. We reviewed these estimates used to calculate depreciation and believe they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was in-kind donations:

The disclosure of in-kind donations in Note J to the financial statements presented just how much in-kind contributions were received during the year. The disclosure also communicated that in-kind contributions were included in the financial statement revenue and expense line items and how these values were estimated.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing 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 determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management:

Beginning balance adjustment to reconcile to the prior year's audit.

Unrecorded depreciation expense in the amount of \$29,235

Disagreements with Management

For purpose 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 October 18, 2011.

Management Consultation 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 of retention.

This information is intended solely for the use of the Audit Committee, Board of Directors and management of SECOM and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Walker, Fluke & Sheldon, PLLC