

HAVEN HOUSE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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Layton & Richardson, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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Report on the Financial Statements

We have audited the accompanying financial statements of Haven House (a nonprofit organization) which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Haven House as of September 30, 2015 and 2014, 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.

A handwritten signature in dark ink that reads "Layton & Richardson, P.C." in a cursive, flowing script.

Certified Public Accountants

East Lansing, Michigan
January 20, 2016

HAVEN HOUSE
STATEMENTS OF FINANCIAL POSITION

ASSETS

	SEPTEMBER 30,	
	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 411,066	\$ 408,061
Receivables - grants	39,535	28,881
Prepaid expenses	4,087	2,231
	<u>454,688</u>	<u>439,173</u>
TOTAL CURRENT ASSETS		
PROPERTY AND EQUIPMENT		
Building and improvements	473,032	473,032
Office equipment	51,001	49,806
	<u>524,033</u>	<u>522,838</u>
Less: accumulated depreciation	354,921	339,141
	<u>169,112</u>	<u>183,697</u>
NET PROPERTY AND EQUIPMENT		
TOTAL ASSETS	<u>\$ 623,800</u>	<u>\$ 622,870</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 1,479	\$ 3,546
Accrued payroll	12,203	8,972
	<u>13,682</u>	<u>12,518</u>
TOTAL CURRENT LIABILITIES		
NET ASSETS		
Unrestricted	599,989	598,509
Temporarily restricted	10,129	11,843
	<u>610,118</u>	<u>610,352</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 623,800</u>	<u>\$ 622,870</u>

See accompanying notes to financial statements.

HAVEN HOUSE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
UNRESTRICTED NET ASSETS			
PUBLIC SUPPORT, GRANTS, AND REVENUE			
Public Support			
Received directly			
Individuals	\$ 51,831	\$	\$ 51,831
Businesses	8,930		8,930
Service groups	3,905		3,905
Churches	7,517		7,517
Fund raising	197,792		197,792
Received indirectly			
Foundations	53,179		53,179
Food Bank	973		973
Housing assist fund			
Net assets released from restrictions			
Total Public Support	<u>324,127</u>		<u>324,127</u>
Grants - Government			
City of East Lansing -			
Community Development Block Grant	36,210		36,210
City of Lansing - HUD		27,646	27,646
City of Lansing - Housing Resource		54,359	54,359
Ingham County		13,000	13,000
Michigan State Housing Development			
Authority - Emergency Shelter		30,280	30,280
Salvation Army - Family Independence Agency	100,692		100,692
Federal Emergency Management Agency			
Net assets released from restrictions	<u>126,999</u>	<u>(126,999)</u>	
Total Grants - Government	<u>263,901</u>	<u>(1,714)</u>	<u>262,187</u>
Other Revenue			
Reimbursements			
Interest income	<u>574</u>		<u>574</u>
Total Other Revenue	<u>574</u>		<u>574</u>
TOTAL PUBLIC SUPPORT, GRANTS, AND REVENUE	<u>588,602</u>	<u>(1,714)</u>	<u>586,888</u>

See accompanying notes to financial statements.

2014		
UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
\$ 239,842	\$	\$ 239,842
59,648		59,648
11,566		11,566
5,194		5,194
167,443		167,443
39,469		39,469
11,297		11,297
	20,265	20,265
20,265	(20,265)	
554,724		554,724
29,384		29,384
	45,005	45,005
	41,863	41,863
	13,000	13,000
	30,357	30,357
70,332		70,332
10,133		10,133
129,475	(129,475)	
239,324	750	240,074
2,109		2,109
466		466
2,575		2,575
796,623	750	797,373

HAVEN HOUSE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - Concluded FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
EXPENSES			
Program services			
General shelter	\$ 432,659	\$	\$ 432,659
Supporting services	84,476		84,476
Fund raising	69,987		69,987
	<u>587,122</u>	<u></u>	<u>587,122</u>
TOTAL EXPENSES	<u>587,122</u>	<u></u>	<u>587,122</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	1,480	(1,714)	(234)
NET ASSETS, OCTOBER 1	<u>598,509</u>	<u>11,843</u>	<u>610,352</u>
NET ASSETS, SEPTEMBER 30	<u>\$ 599,989</u>	<u>\$ 10,129</u>	<u>\$ 610,118</u>

See accompanying notes to financial statements.

2014		
UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
\$ 484,382	\$	\$ 484,382
86,574		86,574
<u>73,569</u>	<u></u>	<u>73,569</u>
<u>644,525</u>	<u></u>	<u>644,525</u>
152,098	750	152,848
<u>446,411</u>	<u>11,093</u>	<u>457,504</u>
\$ <u><u>598,509</u></u>	\$ <u><u>11,843</u></u>	\$ <u><u>610,352</u></u>

HAVEN HOUSE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015			
	GENERAL SHELTER	PROGRAM SERVICES SUPPORTING SERVICES	FUND RAISING	TOTAL
Office supplies	\$ 2,323	\$	\$	\$ 2,323
Advertising				
Technology	2,047			2,047
Shipping				
Office equipment	1,050			1,050
Printing	112			112
Postage	631	631	6,877	8,139
Professional fees		6,811		6,811
Insurance	8,646			8,646
Newsletter		6,208		6,208
Gas	2,711			2,711
Electricity	7,607			7,607
Water and sewage	4,019			4,019
Telephone	2,479	51		2,530
Rubbish	1,135			1,135
Food and household supplies	8,142			8,142
Housing assistance	33,848			33,848
Guest medical and dental				
Transportation	6,877			6,877
Maintenance and repairs	12,451			12,451
Subscriptions	278			278
Other guest expenses	52			52
MESC				
Workers' compensation	5,800	1,275	130	7,205
Salaries	262,364	57,666	47,272	367,302
FICA	19,460	4,277	3,506	27,243
Pension	287	63	6	356
Staff training	416			416
Staff health insurance	23,118	5,081	4,165	32,364
Events			8,031	8,031
Bank charges		2,408		2,408
Foundations				
Depreciation	18,091			18,091
Staff volunteer expense	1,880			1,880
Sales tax	18	5		23
Family assistance	6,290			6,290
Miscellaneous	527			527
TOTAL	\$ 432,659	\$ 84,476	\$ 69,987	\$ 587,122

See accompanying notes to financial statements.

2014

GENERAL SHELTER	PROGRAM SERVICES SUPPORTING SERVICES	FUND RAISING	TOTAL
\$ 3,958	\$	\$	\$ 3,958
40			40
502			502
2,838			2,838
150			150
1,061	1,061	3,337	5,459
	5,704		5,704
10,234			10,234
	6,921		6,921
3,047			3,047
6,669			6,669
4,168			4,168
3,863	79		3,942
1,080			1,080
16,281			16,281
53,034			53,034
749			749
5,430			5,430
12,312			12,312
1,111			1,111
49			49
5,441	1,196	980	7,617
5,065	1,114	911	7,090
244,182	53,691	43,966	341,839
18,736	4,120	3,373	26,229
32	7	1	40
295			295
48,190	10,596	8,676	67,462
		12,325	12,325
	2,028		2,028
884			884
18,003			18,003
1,592			1,592
227	57		284
8,311			8,311
6,848			6,848
<u>\$ 484,382</u>	<u>\$ 86,574</u>	<u>\$ 73,569</u>	<u>\$ 644,525</u>

HAVEN HOUSE
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (234)	\$ 152,848
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	18,091	18,003
(Increase) decrease in assets		
Receivables	(10,653)	(264)
Prepaid expenses	(1,856)	
Increase (decrease) in liabilities		
Accounts payable	(2,066)	(3,205)
Accrued payroll	3,232	235
	<u>6,514</u>	<u>167,617</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>6,514</u>	<u>167,617</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(3,509)</u>	<u>(4,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,005	163,617
CASH AND CASH EQUIVALENTS, OCTOBER 1	<u>408,061</u>	<u>244,444</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u><u>\$ 411,066</u></u>	<u><u>\$ 408,061</u></u>
 Supplemental disclosures of cash flow information		
Cash paid during the year for		
Noncash investing activities	\$	\$

See accompanying notes to financial statements.

HAVEN HOUSE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 1: BACKGROUND

Haven House provides emergency housing and support services for single and two-parent families with children. Haven House helps families who are homeless prepare for permanent housing by developing and promoting self-sufficiency, stability and financial responsibility.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

Haven House is a voluntary health and welfare organization and properly records its financial transactions on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred.

Cash and Cash Equivalents

Haven House considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

Building and improvements and office equipment are stated at cost. Building and improvements are depreciated over 5-20 year useful lives using the straight-line method. Office equipment is depreciated over 5-10 year useful lives using the straight-line method. Maintenance and repairs, including replacement of minor items, are expensed as incurred, and major additions to property and equipment are capitalized. It is the Organization's policy to capitalize expenditures on these items in excess of \$500.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Advertising

Haven House expenses all advertising costs as incurred.

Financial Statement Presentation

The Organization reports 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.

HAVEN HOUSE

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2015 AND 2014

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Concluded

Financial Statement Presentation - Concluded

- Unrestricted net assets represent the resources available for use in carrying on the operations of the Organization. The unrestricted portion is under the discretionary control of the Board of Directors, and it is against this fund that all expenditures for current operations are charged.
- Temporarily restricted net assets represent contributions and other income that has been received, but is temporarily restricted for future activities.
- Permanently restricted net assets represent donor and board stipulated instruments that are to be maintained, with only the income from the instruments expended.

In addition, the Organization presents a statement of cash flows. The Organization does not use fund accounting.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Date of Management's Review

Subsequent events have been evaluated through January 20, 2016, which is the date the financial statements were available to be issued.

NOTE 3: **INCOME TAXES**

The Organization has been classified as an other than private foundation and is tax-exempt under Section 501(c) (3) of the Internal Revenue Code. The Code requires that tax-exempt organizations must comply with federal tax law to maintain tax-exempt status and avoid penalties. The Organization is subject to a tax on income from any unrelated business (The Organization has no unrelated business income) as defined by Section 509(a) (1) of the Code.

Professional standards prescribe a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at September 30, 2015 and 2014.

HAVEN HOUSE

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2015 AND 2014

NOTE 3: INCOME TAXES - Concluded

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to September 30, 2010.

The Organization's policy is to classify income tax related interest and penalties as interest expense and other expenses, respectively.

NOTE 4: COMMITMENTS AND CONTINGENCIES

Haven House receives a substantial amount of its support from independent funding sources. A significant reduction in the level of this support could have an effect on Haven House's ability to continue its program.

NOTE 5: DONATED MATERIALS AND SERVICES

No amounts have been reflected in the statements for donated materials and services since no objective basis is available to measure the value of such materials and services.

NOTE 6: CASH AND CASH EQUIVALENTS

The cash and cash equivalents consist of the following funds:

	BOOK BALANCE	BANK BALANCE	FDIC INSURED
SEPTEMBER 30, 2015			
First Merit Bank			
Operating fund	\$ 103,382	\$ 103,553	\$ 103,553
Capital expenditure fund	288,224	288,224	146,447
Petty cash fund	1,459	1,459	
Capital campaign	5,894	5,894	
Direct deposit	12,007	12,007	
Petty cash	<u>100</u>	<u>100</u>	<u></u>
	\$ <u>411,066</u>	\$ <u>411,237</u>	\$ <u>250,000</u>

HAVEN HOUSE

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2015 AND 2014

NOTE 6: CASH AND CASH EQUIVALENTS - Concluded

	BOOK BALANCE	BANK BALANCE	FDIC INSURED
SEPTEMBER 30, 2014			
First Merit Bank			
Operating fund	\$ 58,354	\$ 60,506	\$ 60,506
Capital expenditure fund	327,803	327,803	166,144
Petty cash fund	1,401	2,109	2,109
Capital campaign	8,593	8,593	8,593
Direct deposit	11,810	12,648	12,648
Petty cash	<u>100</u>	<u></u>	<u></u>
	<u>\$ 408,061</u>	<u>\$ 411,659</u>	<u>\$ 250,000</u>

NOTE 7: GRANTS RECEIVABLE

Grants receivable as of September 30 were as follows:

	2015	2014
City of Lansing	\$ 5,175	\$
City of East Lansing	7,756	7,500
HUD		8,369
Salvation Army	23,952	9,612
MSHDA	<u>2,652</u>	<u>3,400</u>
TOTAL	<u>\$ 39,535</u>	<u>\$ 28,881</u>

NOTE 8: PROPERTY AND EQUIPMENT

A summary of property and equipment and depreciation follows:

	OCTOBER 1, 2014	ADDITIONS	DELETIONS	SEPTEMBER 30, 2015
Building and improvements	\$ 473,032	\$	\$	\$ 473,032
Office equipment	<u>49,806</u>	<u>3,506</u>	<u>2,311</u>	<u>51,001</u>
	522,838	3,506	2,311	524,033
Less: accumulated depreciation	<u>339,141</u>	<u>18,091</u>	<u>2,311</u>	<u>354,921</u>
	<u>\$ 183,697</u>	<u>\$ (14,585)</u>	<u>\$</u>	<u>\$ 169,112</u>

HAVEN HOUSE

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2015 AND 2014

NOTE 8: PROPERTY AND EQUIPMENT - Concluded

	OCTOBER 1, 2013	ADDITIONS	DELETIONS	SEPTEMBER 30, 2014
Building and improvements	\$ 469,032	\$ 4,000	\$	\$ 473,032
Office equipment	<u>49,806</u>	<u></u>	<u></u>	<u>49,806</u>
	518,838	4,000		522,838
Less: accumulated depreciation	<u>321,138</u>	<u>18,003</u>	<u></u>	<u>339,141</u>
	<u>\$ 197,700</u>	<u>\$ (14,003)</u>	<u>\$</u>	<u>\$ 183,697</u>

Depreciation expense for the years ended September 30, 2015 and 2014 was \$18,091 and \$18,003, respectively.

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent the net book value of assets which have been solicited or contributed for a particular use and not expended in the same accounting period.

	MSHDA	CITY OF LANSING	INGHAM COUNTY	HOUSING ASSISTANT FUND	CAPITAL CAMPAIGN	TOTAL
Temporarily restricted 10/1/14	\$	\$	\$ 3,250	\$	\$ 8,593	\$ 11,843
Grant support	30,280	82,005	13,000			125,285
Net assets released from restrictions	(30,280)	(81,020)	(13,000)	<u></u>	(2,699)	(126,999)
Balance at 9/30/15	<u>\$</u>	<u>\$ 985</u>	<u>\$ 3,250</u>	<u>\$</u>	<u>\$ 5,894</u>	<u>\$ 10,129</u>
Temporarily restricted 10/1/13	\$	\$	\$ 2,500	\$	\$ 8,593	\$ 11,093
Grant support	30,357	86,868	13,000	20,265		150,490
Net assets released from restrictions	(30,357)	(86,868)	(12,250)	(20,265)	<u></u>	(149,740)
Balance at 9/30/14	<u>\$</u>	<u>\$</u>	<u>\$ 3,250</u>	<u>\$</u>	<u>\$ 8,593</u>	<u>\$ 11,843</u>

The Ingham County restriction of \$3,250 is for meals for individuals and families. The Capital Campaign of \$5,894 is for capital expenditures. The City of Lansing restriction of \$985 is for general operations.

HAVEN HOUSE
NOTES TO FINANCIAL STATEMENTS - Concluded
SEPTEMBER 30, 2015 AND 2014

NOTE 10: ENDOWMENT FUND

In 2012, the Organization entered into an agreement with the Capital Region Community Foundation. Haven House granted variance power to the Capital Region Community Foundation. The funds were for the purpose of an endowment fund for Haven House. If extraordinary circumstances occur, distributions may be made to Haven House as deemed appropriate by the Board of the Capital Region Community Foundation.

The Capital Region Community Foundation holds the endowment fund and has established policies regarding the amounts that may become available for distribution to Haven House. The policy calls for a distribution of 5% of the value of the fund, calculated on a 12-quarter rolling average, each year. Of that amount, 1% goes to the Foundation for investment fees and the remaining 4% is available for distribution to Haven House. Haven House may elect each year to receive the annual distribution or reinvest those earnings into the fund. For the years ended September 30, 2015 and 2014, Haven House received no distribution from the Endowment Fund. The balance in the fund as of September 30, 2015 and 2014 was \$31,267 and \$32,505, respectively.



Layton & Richardson, P.C.

Certified Public Accountants

LETTER OF COMMENTS AND RECOMMENDATIONS

Board Members
Haven House
East Lansing, Michigan

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In planning and performing our audit of the financial statements of Haven House, as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Haven House' internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances 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 on the effectiveness of the Organization's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously communicated to you about the Organization's internal control in our letter dated January 20, 2016. This letter does not affect our report dated January 20, 2016, on the financial statements of Haven House.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Haven House's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, Haven House, and others within the Organization, and is not intended to be, and should not be, used by anyone other than those specified parties.

East Lansing, Michigan
January 20, 2016

Certified Public Accountants

MEMORANDUM

PRIOR YEAR RECOMMENDATIONS

ACCRUAL BASIS OF ACCOUNTING

Although the year end audited financial statements are prepared on the accrual basis, Haven House maintains its books on a cash basis. We realize the cash basis method of accounting is easy to administer and understand. However, recording transactions on an accrual basis is in accordance with generally accepted accounting principles and provides more meaningful financial information. We suggest that the accrual method of accounting be implemented for recording all transactions into the general ledger.

Current year status: This recommendation has not been implemented. Management response: Steps are being taken to convert from cash basis to accrual basis.

DEBIT CARDS

During the audit, it came to our attention that an employee has been authorized for the use of a debit card. We recommend that this practice be substantially discouraged to prevent the risk of loss of assets, because all transactions through the debit card have a direct impact on the Organization's operating bank account. Credit cards, on the other hand, provide a shield against the risk of loss, because all charges through the card would be billed to the Organization for payment. **Current year status: This recommendation has not been implemented. Management response: In order to obtain a credit card, it would have to go in the name of the Executive Director. We feel comfortable with the use of the debit card, and as such, will not be obtaining a credit card. Also, the account linked to the debit card only has \$1,000 maximum in it at a time.**

JOURNAL ENTRIES

During the audit, it came to our attention that the year end journal entries proposed by us and approved by management for the prior year were not properly posted and reversed where appropriate. Properly recording these journal entries and the subsequent reversal of them in the proper period will lead to more accurate accounting throughout the year. We recommend all journal entries proposed by the auditor be reviewed by management, and if they are in agreement with the entries, they be posted to the general ledger. **Current year status: This recommendation has been implemented.**

CASH RECEIPTS: COMPARING DEPOSITS WITH DONOR DATABASE

It was noted during our audit process that although lists are currently made of all cash receipts when the mail is opened, the lists are never compared to what is actually deposited in the bank. We recommend someone who is separate from the cash receipts function compare and reconcile deposit slips to the donor database to ensure all the receipts were deposited intact and on a timely basis. By establishing this procedure, Haven House will be able to more accurately track all incoming funds and strengthen its system of internal controls over cash receipts. **Current year status: This recommendation has not been implemented.**

CURRENT YEAR RECOMMENDATIONS

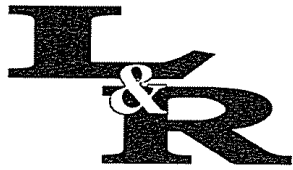
REVIEW AND APPROVAL OF NONSTANDARD JOURNAL ENTRIES

We recommend that the Executive Director review and approve all nonstandard journal entries and initial the support for the entries to document their approval. This process would improve controls over adjustments to the general ledger.

CURRENT YEAR RECOMMENDATIONS - Concluded

1099-MISC FILING

As a general rule, you must issue a Form 1099-MISC to each person, including individual, partnership, Limited Liability Company, Limited Partnership or Estate to whom you have paid at least \$600 in rents, services (including parts and materials), prizes and awards, or other income payments. In the past, the organization has not met the requirements to file 1099-MISC, however, we recommend that the rules for filing 1099-MISC are reviewed yearly and any required 1099's are issued in a timely manner.



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To the Board of Directors
Haven House
East Lansing, Michigan

We have audited the financial statements of Haven House for the year ended September 30, 2015, and have issued our report thereon dated January 20, 2016. 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 January 20, 2016. Professional standards also require that we communicate 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 Haven House are described in Note 2 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, 2015. 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 allocation of expenses to grants and programs is based on time spent by staff and others, and by the relationship of direct expenses to the grant's program. We evaluated the key factors and assumptions used to develop the allocations in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciation expense is based on industry standards. We evaluated key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected resulted from 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, 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 January 20, 2016.

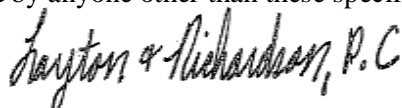
Management Consultations with Other Independent Accountants

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.

This information is intended solely for the use of the Board of Directors and Executive Director of Haven House and is not intended to be, and should not be, used by anyone other than these specified parties.


Certified Public Accountants