

DRAFT

HAVEN HOUSE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Haven House
East Lansing, Michigan

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, 2014 and 2013, 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, 2014 and 2013, 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.

Certified Public Accountants

East Lansing, Michigan

HAVEN HOUSE
STATEMENTS OF FINANCIAL POSITION

ASSETS

SEPTEMBER 30,

2014

2013

CURRENT ASSETS

Cash and cash equivalents	\$ 408,061	\$ 244,444
Receivables - grants	28,881	28,617
Prepaid expenses	<u>2,231</u>	<u>2,231</u>

TOTAL CURRENT ASSETS

	<u>439,173</u>	<u>275,292</u>
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PROPERTY AND EQUIPMENT

Building and improvements	473,032	469,032
Office equipment	<u>49,806</u>	<u>49,806</u>

Less: accumulated depreciation

	522,838	518,838
	<u>339,141</u>	<u>321,138</u>

NET PROPERTY AND EQUIPMENT

	<u>183,697</u>	<u>197,700</u>
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TOTAL ASSETS

	\$ <u><u>622,870</u></u>	\$ <u><u>472,992</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 3,546	\$ 6,751
Accrued payroll	<u>8,972</u>	<u>8,737</u>

TOTAL CURRENT LIABILITIES

	<u>12,518</u>	<u>15,488</u>
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NET ASSETS

Unrestricted	598,509	446,411
Temporarily restricted	<u>11,843</u>	<u>11,093</u>

TOTAL NET ASSETS

	<u>610,352</u>	<u>457,504</u>
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TOTAL LIABILITIES AND NET ASSETS

	\$ <u><u>622,870</u></u>	\$ <u><u>472,992</u></u>
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See accompanying notes to financial statements.

HAVEN HOUSE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
UNRESTRICTED NET ASSETS			
PUBLIC SUPPORT, GRANTS, AND REVENUE			
Public Support			
Received directly			
Individuals	\$ 239,842	\$	\$ 239,842
Businesses	59,648		59,648
Service groups	11,566		11,566
Churches	5,194		5,194
Fund raising	167,443		167,443
Received indirectly			
Foundations	39,469		39,469
Food Bank	11,297		11,297
Housing assist fund		20,265	20,265
Net assets released from restrictions	20,265	(20,265)	
Total Public Support	554,724		554,724
Grants - Government			
City of East Lansing -			
Community Development Block Grant	29,384		29,384
City of Lansing - HUD		45,005	45,005
City of Lansing - Housing Resource		41,863	41,863
Ingham County		13,000	13,000
Michigan State Housing Development			
Authority - Emergency Shelter		30,357	30,357
Salvation Army - Family Independence Agency	70,332		70,332
Federal Emergency Management Agency	10,133		10,133
Net assets released from restrictions	129,475	(129,475)	
Total Grants - Government	239,324	750	240,074
Other Revenue			
Reimbursements	2,109		2,109
Other revenue			
Interest income	466		466
Total Other Revenue	2,575		2,575
TOTAL PUBLIC SUPPORT, GRANTS, AND REVENUE	796,623	750	797,373

See accompanying notes to financial statements.

2013		
UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
\$ 75,847	\$	\$ 75,847
8,943		8,943
6,479		6,479
5,421		5,421
177,522		177,522
61,175		61,175
14,636		14,636
49,999	49,999	49,999
	(49,999)	
<u>400,022</u>		<u>400,022</u>
30,331		30,331
	46,724	46,724
	53,765	53,765
	10,000	10,000
	32,245	32,245
51,196		51,196
<u>142,234</u>	<u>(142,234)</u>	
<u>223,761</u>	<u>500</u>	<u>224,261</u>
3,611		3,611
150		150
<u>468</u>		<u>468</u>
<u>4,229</u>		<u>4,229</u>
<u>628,012</u>	<u>500</u>	<u>628,512</u>

HAVEN HOUSE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - Concluded
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
EXPENSES			
Program services			
General shelter	\$ 484,382	\$	\$ 484,382
Supporting services	86,574		86,574
Fund raising	73,569		73,569
	<u>644,525</u>	<u></u>	<u>644,525</u>
TOTAL EXPENSES			
	<u>644,525</u>	<u></u>	<u>644,525</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	152,098	750	152,848
NET ASSETS, OCTOBER 1	446,411	11,093	457,504
NET ASSETS, SEPTEMBER 30	\$ <u>598,509</u>	\$ <u>11,843</u>	\$ <u>610,352</u>

See accompanying notes to financial statements.

2013		
UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
\$ 608,151	\$	\$ 608,151
98,034		98,034
<u>40,239</u>	<u></u>	<u>40,239</u>
<u>746,424</u>	<u></u>	<u>746,424</u>
(118,412)	500	(117,912)
<u>564,823</u>	<u>10,593</u>	<u>575,416</u>
\$ <u><u>446,411</u></u>	\$ <u><u>11,093</u></u>	\$ <u><u>457,504</u></u>

HAVEN HOUSE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014			
	GENERAL SHELTER	PROGRAM SERVICES SUPPORTING SERVICES	FUND RAISING	TOTAL
Office supplies	\$ 3,958	\$	\$	\$ 3,958
Advertising	40			40
Technology	502			502
Shipping				
Office equipment	2,838			2,838
Printing	150			150
Postage	1,061	1,061	3,337	5,459
Professional fees		5,704		5,704
Insurance	10,234			10,234
Newsletter		6,921		6,921
Gas	3,047			3,047
Electricity	6,669			6,669
Water and sewage	4,168			4,168
Telephone	3,863	79		3,942
Rubbish	1,080			1,080
Food and household supplies	16,281			16,281
Housing assistance	53,034			53,034
Guest medical and dental	749			749
Transportation	5,430			5,430
Maintenance and repairs	12,312			12,312
Subscriptions	1,111			1,111
Other guest expenses	49			49
MESC	5,441	1,196	980	7,617
Workers' compensation	5,065	1,114	911	7,090
Salaries	244,182	53,691	43,966	341,839
FICA	18,736	4,120	3,373	26,229
Pension	32	7	1	40
Staff training	295			295
Staff health insurance	48,190	10,596	8,676	67,462
Events			12,325	12,325
Bank charges		2,028		2,028
Foundations	884			884
Depreciation	18,003			18,003
Staff volunteer expense	1,592			1,592
Sales tax	227	57		284
Family assistance	8,311			8,311
Reimbursement				
Loss on sale of asset				
Miscellaneous	6,848			6,848
TOTAL	\$ 484,382	\$ 86,574	\$ 73,569	\$ 644,525

See accompanying notes to financial statements.

2013

GENERAL SHELTER	PROGRAM SERVICES SUPPORTING SERVICES	FUND RAISING	TOTAL
\$ 3,316	\$	\$	\$ 3,316
2,140			2,140
33			33
612			612
267			267
1,309	1,309	3,305	5,923
	4,230		4,230
8,270			8,270
	6,759		6,759
3,101			3,101
5,759			5,759
2,563			2,563
3,475	71		3,546
1,010			1,010
21,841			21,841
98,527			98,527
9,781			9,781
9,479			9,479
1,450			1,450
117			117
2,497	549	56	3,102
6,074	1,335	136	7,545
289,559	63,667	6,475	359,701
22,701	4,991	508	28,200
857			857
61,406	13,502	1,373	76,281
		28,386	28,386
	1,463		1,463
18,751			18,751
2,365			2,365
632	158		790
24,632			24,632
3,922			3,922
410			410
1,295			1,295
<u>\$ 608,151</u>	<u>\$ 98,034</u>	<u>\$ 40,239</u>	<u>\$ 746,424</u>

HAVEN HOUSE STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 152,848	\$ (117,912)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	18,003	18,751
Donation of property and equipment		(2,500)
Loss on disposal of property and equipment		410
(Increase) decrease in assets		
Receivables	(264)	10,712
Prepaid expenses		(120)
Increase (decrease) in liabilities		
Accounts payable	(3,205)	(14,034)
Accrued payroll	235	990
	<u>167,617</u>	<u>(103,703)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(4,000)</u>	<u>(15,598)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	163,617	(119,301)
CASH AND CASH EQUIVALENTS, OCTOBER 1	<u>244,444</u>	<u>363,745</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u><u>\$ 408,061</u></u>	<u><u>\$ 244,444</u></u>
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Noncash investing activities		
Donation of property and equipment	\$	\$ 2,500

See accompanying notes to financial statements.

HAVEN HOUSE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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 15-20 year useful lives using the straight-line method. Office equipment is depreciated over 5-7 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, 2014 AND 2013

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 the date of the Independent Auditors' Report, 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, 2014 and 2013.

HAVEN HOUSE
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2014 AND 2013

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, 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>

HAVEN HOUSE
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2014 AND 2013

NOTE 6: CASH AND CASH EQUIVALENTS - Concluded

	BOOK BALANCE	BANK BALANCE	FDIC INSURED
SEPTEMBER 30, 2013			
First Merit Bank			
Operating fund	\$ 75,741	\$ 84,249	\$ 84,249
Capital expenditure fund	147,685	147,685	147,685
Petty cash fund	604	639	639
Capital campaign	8,593	8,592	8,592
Direct deposit	11,721	11,721	11,721
Petty cash	<u>100</u>	<u> </u>	<u> </u>
	<u>\$ 244,444</u>	<u>\$ 252,886</u>	<u>\$ 252,886</u>

NOTE 7: GRANTS RECEIVABLE

Grants receivable as of September 30 were as follows:

	2014	2013
City of East Lansing	\$ 7,500	\$ 7,295
HUD	8,369	7,650
Salvation Army	9,612	13,672
MSHDA	<u>3,400</u>	<u> </u>
TOTAL	<u>\$ 28,881</u>	<u>\$ 28,617</u>

NOTE 8: PROPERTY AND EQUIPMENT

A summary of property and equipment and depreciation follows:

	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>

HAVEN HOUSE
NOTES TO FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2014 AND 2013

NOTE 8: PROPERTY AND EQUIPMENT - Concluded

	OCTOBER 1, 2012	ADDITIONS	DELETIONS	SEPTEMBER 30, 2013
Building and improvements	\$ 455,556	\$ 14,545	\$ 1,069	\$ 469,032
Office equipment	<u>48,024</u>	<u>3,553</u>	<u>1,771</u>	<u>49,806</u>
	503,580	18,098	2,840	518,838
Less: accumulated depreciation	<u>304,817</u>	<u>18,751</u>	<u>2,430</u>	<u>321,138</u>
	<u>\$ 198,763</u>	<u>\$ (653)</u>	<u>\$ 410</u>	<u>\$ 197,700</u>

Depreciation expense for the years ended September 30, 2014 and 2013 was \$18,003 and \$18,751, 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 10/1/13	\$	\$	\$ 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)		(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>
Temporarily restricted 10/1/12	\$	\$	\$ 2,000	\$	\$ 8,593	\$ 10,593
Grant support	32,245	100,489	10,000	49,999		192,733
Net assets released from restrictions	(32,245)	(100,489)	(9,500)	(49,999)		(192,233)
Balance at 9/30/13	<u>\$</u>	<u>\$</u>	<u>\$ 2,500</u>	<u>\$</u>	<u>\$ 8,593</u>	<u>\$ 11,093</u>

The Ingham County restriction of \$3,250 is for temporary housing for individuals and families.
The Capital Campaign of \$8,593 is for capital expenditures.

HAVEN HOUSE
NOTES TO FINANCIAL STATEMENTS - Concluded
SEPTEMBER 30, 2014 AND 2013

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, 2014 and 2013, Haven House received no distribution from the Endowment Fund. The balance in the fund as of September 30, 2014 and 2013 was \$32,505 and \$29,962, respectively.

LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Directors
Haven House
East Lansing, Michigan

In planning and performing our audit of the financial statements of Haven House as of and for the year ended September 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Haven House's 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 Haven House's internal control. Accordingly, we do not express an opinion on the effectiveness of Haven House's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are listed below. This letter does not affect our report dated _____ 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 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.

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.**

PRIOR YEAR RECOMMENDATIONS – Concluded

DIRECT DEPOSIT

During our audit procedures, it was noted that a few employees receive their wages through direct deposit. The employee initiating the direct deposit prints out a direct deposit confirmation. However, this is not reviewed by another individual. This practice exposes the Organization to the threat of a loss or theft. In order to significantly strengthen internal controls over payroll, we recommend that the Executive Director review the direct deposit confirmation for accuracy. **Current year status: This recommendation has not been implemented.**

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.**

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 not been implemented.**

CURRENT YEAR RECOMMENDATIONS

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.

This report is intended solely for the use of management and appropriate Federal and State of Michigan awarding agencies and should not be used for any other purpose.

We appreciate the assistance and cooperation extended to us by Haven House's employees during our examination, and we thank them.

Certified Public Accountants

East Lansing, Michigan

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, 2014, and have issued our report thereon dated _____. 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 September 25, 2014. 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, 2014. 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 _____.

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

Layton & Richardson, P.C.
1000 Coolidge Road
East Lansing, MI 48823

This representation letter is provided in connection with your audit of the financial statements of Haven House, which comprise the statement of financial position as of September 30, 2014 and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of _____, the following representations made to you during your audits.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 25, 2014.
2. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

11. We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated due to error or fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
16. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
17. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
18. We have disclosed to you the identity of the Organization's related parties and all the related party relationships and transactions of which we are aware.
19. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
20. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

21. In regard to the proposed journal entries, financial statement preparation, and tax preparation services performed by you, we have:

- a) Assumed all management responsibilities.
- b) Designated an individual within senior management with suitable skill, knowledge, or experience to oversee the services.
- c) Evaluated the adequacy and results of the services performed.
- d) Accepted responsibility for the results of the services.

22. Haven House is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or other excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

Signature:

Title:
