

HAVEN HOUSE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017



Layton & Richardson, P.C.
Certified Public Accountants

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Layton & Richardson, P.C.

Certified Public Accountants

East Lansing, Michigan
January 31, 2019

HAVEN HOUSE
STATEMENTS OF FINANCIAL POSITION

ASSETS

SEPTEMBER 30,

2018

2017

CURRENT ASSETS

Cash and cash equivalents	\$ 660,854	\$ 567,375
Receivables - grants	34,246	16,101
Prepaid expenses	3,691	7,852

TOTAL CURRENT ASSETS

	<u>698,791</u>	<u>591,328</u>
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PROPERTY AND EQUIPMENT

Building and improvements	491,242	479,334
Office equipment	55,752	49,570

Less: accumulated depreciation

	<u>546,994</u>	<u>528,904</u>
	382,119	360,371

NET PROPERTY AND EQUIPMENT

	<u>164,875</u>	<u>168,533</u>
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TOTAL ASSETS

	<u>\$ 863,666</u>	<u>\$ 759,861</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,243	\$ 6,197
Accrued payroll	14,579	15,330
Other payables	3,780	8,068
Deferred grant revenue	30,000	27,805

TOTAL CURRENT LIABILITIES

	<u>49,602</u>	<u>57,400</u>
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NET ASSETS

Unrestricted	810,689	699,211
Temporarily restricted	3,375	3,250

TOTAL NET ASSETS

	<u>814,064</u>	<u>702,461</u>
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TOTAL LIABILITIES AND NET ASSETS

	<u>\$ 863,666</u>	<u>\$ 759,861</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, 2018 AND 2017

	2018		TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	
UNRESTRICTED NET ASSETS			
PUBLIC SUPPORT, GRANTS, AND REVENUE			
Pubic Support			
Received directly			
Contributions	\$ 355,716	\$	\$ 355,716
Received indirectly			
Foundations	<u>160,747</u>		<u>160,747</u>
Total Public Support	<u>516,463</u>		<u>516,463</u>
Grants - Government			
City of East Lansing -			
Community Development Block Grant	28,978		28,978
City of Lansing - HUD			
City of Lansing - Housing Resource		26,280	26,280
Ingham County		13,500	13,500
Michigan State Housing Development			
Authority - Emergency Shelter		38,448	38,448
Salvation Army - Family Independence Agency	146,340		146,340
Federal Emergency Management Agency		58,655	58,655
Net assets released from restrictions	<u>136,758</u>	<u>(136,758)</u>	<u>58,655</u>
Total Grants - Government	<u>312,076</u>	<u>125</u>	<u>312,201</u>
Other Revenue			
Reimbursements	3,103		3,103
In-kind contributions			
Interest income	<u>873</u>		<u>873</u>
Total Other Revenue	<u>3,976</u>		<u>3,976</u>
TOTAL PUBLIC SUPPORT, GRANTS, AND REVENUE	<u>832,515</u>	<u>125</u>	<u>832,640</u>
EXPENSES			
Program services			
General shelter	557,703		557,703
Supporting services	91,918		91,918
Fund raising	<u>71,416</u>		<u>71,416</u>
TOTAL EXPENSES	<u>721,037</u>		<u>721,037</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	111,478	125	111,603
NET ASSETS, OCTOBER 1	<u>699,211</u>	<u>3,250</u>	<u>702,461</u>
NET ASSETS, SEPTEMBER 30	<u>\$ 810,689</u>	<u>\$ 3,375</u>	<u>\$ 814,064</u>

See accompanying notes to financial statements.

2017

UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
\$ 348,531	\$	\$ 348,531
114,217		114,217
<u>462,748</u>		<u>462,748</u>
31,775		31,775
	25,065	25,065
	13,000	13,000
98,100	29,870	29,870
98,161	29,976	98,100
<u>228,036</u>	<u>(98,161)</u>	<u>29,976</u>
	<u>(250)</u>	<u>227,786</u>
1,411		1,411
7,600		7,600
718		718
<u>9,729</u>		<u>9,729</u>
700,513	<u>(250)</u>	700,263
486,228		486,228
91,616		91,616
75,824		75,824
<u>653,668</u>		<u>653,668</u>
46,845	(250)	46,595
652,366	3,500	655,866
\$ <u>699,211</u>	\$ <u>3,250</u>	\$ <u>702,461</u>

HAVEN HOUSE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018			
	GENERAL SHELTER	PROGRAM SERVICES SUPPORTING SERVICES	FUND RAISING	TOTAL
Office supplies	\$ 3,692	\$	\$	\$ 3,692
Advertising				
Technology	2,639			2,639
Office equipment				
Postage	774	774	8,872	10,420
Professional fees		9,101		9,101
Insurance	6,321			6,321
Newsletter		8,741		8,741
Gas	2,575			2,575
Electricity	6,654			6,654
Water and sewage	6,789			6,789
Telephone	4,842	99		4,941
Rubbish	1,108			1,108
Food and household supplies	6,135			6,135
Housing assistance	112,730			112,730
Transportation	5,396			5,396
Maintenance and repairs	10,656			10,656
Subscriptions	1,387			1,387
Other guest expenses				
Workers' compensation	3,960	813	651	5,424
Salaries	280,968	57,733	46,187	384,888
FICA	20,771	4,268	3,414	28,453
Staff health insurance	42,068	8,644	6,915	57,627
Pension	601	123	99	823
Staff training	750			750
Events			5,278	5,278
Bank charges		1,622		1,622
Depreciation	21,748			21,748
Staff volunteer expense	5,371			5,371
Sales tax				
Family assistance	8,552			8,552
Miscellaneous	1,216			1,216
TOTAL	\$ 557,703	\$ 91,918	\$ 71,416	\$ 721,037

See accompanying notes to financial statements.

2017

GENERAL SHELTER	PROGRAM SERVICES SUPPORTING SERVICES	FUND RAISING	TOTAL
\$ 3,169	\$	\$	\$ 3,169
250			250
2,713			2,713
1,426			1,426
1,016	1,016	11,285	13,317
	5,820		5,820
10,776			10,776
	9,280		9,280
2,017			2,017
6,637			6,637
4,535			4,535
4,026	82		4,108
1,436			1,436
5,296			5,296
20,506			20,506
4,605			4,605
10,459			10,459
1,891			1,891
508			508
3,035	624	499	4,158
281,025	57,745	46,196	384,966
20,266	4,164	3,331	27,761
54,514	11,202	8,961	74,677
393	81	65	539
932			932
		5,487	5,487
	1,541		1,541
19,980			19,980
3,017			3,017
246	61		307
19,258			19,258
2,296			2,296
<u>\$ 486,228</u>	<u>\$ 91,616</u>	<u>\$ 75,824</u>	<u>\$ 653,668</u>

HAVEN HOUSE
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 111,603	\$ 46,595
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	21,748	19,980
In-kind contribution		(7,600)
(Increase) decrease in assets		
Receivables	(18,145)	6,149
Prepaid expenses	4,161	(4,563)
Increase (decrease) in liabilities		
Accounts payable	(4,954)	1,885
Accrued payroll	(751)	1,761
Other payables	(4,288)	8,068
Deferred grant revenue	2,195	27,805
	<u>111,569</u>	<u>100,080</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(18,090)</u>	<u>(12,980)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	93,479	87,100
CASH AND CASH EQUIVALENTS, OCTOBER 1	<u>567,375</u>	<u>480,275</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u>\$ 660,854</u>	<u>\$ 567,375</u>
 Supplemental disclosures of cash flow information		
In-kind contribution	\$	\$ 7,600

See accompanying notes to financial statements.

HAVEN HOUSE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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, 2018 AND 2017

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 31, 2019 which is the date the financial statements were available to be issued.

NOTE 3: **INCOME TAXES**

Haven House is a not-for-profit corporation and is exempt from Federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Contributions to Haven House are tax deductible within the limitations prescribed by the Internal Revenue Code.

Haven House evaluates all significant tax positions under a more likely than not threshold as required by U.S. generally accepted accounting principles. As of September 30, 2017, Haven House does not believe that it has taken any tax positions, that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. Haven House's income tax returns are subject to examination by the appropriate taxing jurisdictions. At September 30 2018, Haven House's federal tax returns generally remain open for the last three years.

HAVEN HOUSE

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2018 AND 2017

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

There was an in-kind contribution of \$0 and \$7,600 in 2018 and 2017, respectively. There was no donated services recorded as any would be immaterial.

NOTE 6: CASH AND CASH EQUIVALENTS

The cash and cash equivalents consist of the following funds:

	BOOK BALANCE	BANK BALANCE	FDIC INSURED
SEPTEMBER 30, 2018			
First Merit Bank			
Operating fund	\$ 279,981	\$ 282,725	\$ 250,000
Capital expenditure fund	364,766	364,766	
Petty cash fund	1,289	8,887	
Direct deposit	10,262	10,262	
Undeposited funds	4,456		
Petty cash	<u>100</u>	<u> </u>	<u> </u>
	<u>\$ 660,854</u>	<u>\$ 666,640</u>	<u>\$ 250,000</u>
SEPTEMBER 30, 2017			
First Merit Bank			
Operating fund	\$ 190,926	\$ 194,315	\$ 194,315
Capital expenditure fund	364,220	364,220	42,647
Petty cash fund	910	1,819	1,819
Direct deposit	11,219	11,219	11,219
Petty cash	<u>100</u>	<u> </u>	<u> </u>
	<u>\$ 567,375</u>	<u>\$ 571,573</u>	<u>\$ 250,000</u>

HAVEN HOUSE
 NOTES TO FINANCIAL STATEMENTS - Continued
 SEPTEMBER 30, 2018 AND 2017

NOTE 7: GRANTS RECEIVABLE

Grants receivable as of September 30 were as follows:

	2018	2017
City of Lansing	\$ 1,325	\$ 4,610
City of East Lansing	6,418	7,444
Salvation Army	25,368	
MSHDA	<u>1,135</u>	<u>4,047</u>
TOTAL	<u>\$ 34,246</u>	<u>\$ 16,101</u>

NOTE 8: PROPERTY AND EQUIPMENT

A summary of property and equipment and depreciation follows:

	OCTOBER 1, 2017	ADDITIONS	DELETIONS	SEPTEMBER 30, 2018
Building and improvements	\$ 479,334	\$ 11,908	\$	\$ 491,242
Office equipment	<u>49,570</u>	<u>6,182</u>	<u> </u>	<u>55,752</u>
	528,904	18,090		546,994
Less: accumulated depreciation	<u>360,371</u>	<u>21,748</u>	<u> </u>	<u>382,119</u>
	<u>\$ 168,533</u>	<u>\$(3,658)</u>	<u>\$</u>	<u>\$ 164,875</u>
	OCTOBER 1, 2016	ADDITIONS	DELETIONS	SEPTEMBER 30, 2017
Building and improvements	\$ 479,572	\$ 3,065	\$ 3,303	\$ 479,334
Office equipment	<u>48,767</u>	<u>17,515</u>	<u>16,712</u>	<u>49,570</u>
	528,339	20,580	20,015	528,904
Less: accumulated depreciation	<u>360,406</u>	<u>19,980</u>	<u>20,015</u>	<u>360,371</u>
	<u>\$ 167,933</u>	<u>\$ 600</u>	<u>\$</u>	<u>\$ 168,533</u>

Depreciation expense for the years ended September 30, 2018 and 2017 was \$21,748 and \$19,980, respectively.

HAVEN HOUSE

NOTES TO FINANCIAL STATEMENTS - Concluded

SEPTEMBER 30, 2018 AND 2017

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	FEMA	TOTAL
Temporarily restricted 10/1/17	\$	\$	\$ 3,250	\$	\$ 3,250
Grant support	38,448	26,280	13,500	58,655	136,883
Net assets released from restrictions	(38,448)	(26,280)	(13,375)	(58,655)	(136,758)
Balance at 9/30/18	\$ _____	\$ _____	\$ 3,375	\$ _____	\$ 3,375
Temporarily restricted 10/1/16	\$	\$	\$ 3,500	\$	\$ 3,500
Grant support	29,870	25,065	13,000	29,976	97,911
Net assets released from restrictions	(29,870)	(25,065)	(13,250)	(29,976)	(98,161)
Balance at 9/30/17	\$ _____	\$ _____	\$ 3,250	\$ _____	\$ 3,250

The Ingham County restriction of \$3,375 and \$3,250 is for meals for individuals and families. The FEMA restriction of \$50,586 is for rental assistance.

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, 2018 and 2017, Haven House received no distribution from the Endowment Fund. The balance in the fund as of September 30, 2018 and 2017 was \$40,909 and \$38,440, respectively.