

**RIVER HOUSE, INC.
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012**

RIVER HOUSE, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5-6
Notes to Financial Statements	7-11



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653
Phone: (989) 821-8601 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

INDEPENDENT AUDITOR'S REPORT

January 7, 2013

To the Board of Directors of
River House, Inc.
Grayling, MI 49738

I have audited the accompanying statements of financial position of River House, Inc. (A nonprofit organization) as of September 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of River House, Inc. as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read 'J. M. Anderson', with a stylized flourish at the end.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

RIVER HOUSE, INC.
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2012 AND 2011

	ASSETS	
	2012	2011
Current Assets		
Cash and Investments	\$ 204,380	\$ 238,695
Accounts receivable	-0-	662
Grants receivable	30,511	36,977
Total Current Assets	234,891	276,334
Property & Equipment (Net)	454,506	480,780
Total Assets	\$ 689,397	\$ 757,114

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 17,567	\$ 36,282
Advances	9,866	13,124
Total Current Liabilities	27,433	49,406
Net Assets:		
Unrestricted	661,964	707,708
Total Net Assets	661,964	707,708
Total Liabilities and Net Assets	\$ 689,397	\$ 757,114

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

RIVER HOUSE, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Support:		
Grants and Contracts	\$ 419,601	\$ 521,910
Contributions	40,796	24,781
Special events	<u>8,532</u>	<u>7,887</u>
Total Support	<u>468,929</u>	<u>554,578</u>
Revenue:		
Client paid fees	18,596	31,801
Interest income	<u>1,411</u>	<u>2,673</u>
Total Revenue	<u>20,007</u>	<u>34,474</u>
Total Support and Revenue	<u>488,936</u>	<u>589,052</u>
Expenses:		
Program Services:		
DVB Grant	128,778	130,221
EFSP Grants	-0-	10,423
Rural Grants	39,890	61,440
Salvation Army	73,829	82,883
MSHDA Grants	46,441	96,907
CACFP Grant	3,339	7,280
RPS Grant	-0-	8,200
STOP Grant	72,994	90,834
United Way Grant	9,374	5,520
VOCA Grant	38,740	39,069
ATAP	14,874	29,876
Other	<u>106,421</u>	<u>84,635</u>
Total Expenses	<u>534,680</u>	<u>647,288</u>
Change in Net Assets	(45,744)	(58,236)
Net Assets - October 1	<u>707,708</u>	<u>765,944</u>
Net Assets - September 30	<u>\$ 661,964</u>	<u>\$ 707,708</u>

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

RIVER HOUSE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

CASH FLOWS USED FOR OPERATING ACTIVITIES:

	2012	2011
Change in net assets	\$ (45,744)	\$ (58,236)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	26,274	26,274
(Increase) Decrease in accounts receivable	662	(102)
(Increase) Decrease in grants receivable	6,466	(7,867)
Increase (Decrease) in accounts payable	(18,715)	35,084
Increase (Decrease) in advances	(3,258)	(24,999)
Net Cash Used for Operating Activities	(34,315)	(29,846)

CASH FLOWS FROM INVESTMENT ACTIVITIES:

Additions to fixed assets	-0-	-0-
Net Cash Provided by Financing Activities	-0-	-0-
NET INCREASE IN CASH AND CASH EQUIVALENTS	(34,315)	(29,846)
CASH AND CASH EQUIVALENTS - October 1	238,695	268,541
CASH AND CASH EQUIVALENTS - September 30	\$ 204,380	\$ 238,695

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

RIVER HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2012

	<u>DVB Grant</u>	<u>Rural Grants</u>	<u>Salvation Army</u>	<u>MSHDA Grants</u>	<u>CACFP Grant</u>
Salaries	\$ 94,233	\$ 35,846	\$ 45,994	\$ 42,703	\$ -0-
Payroll taxes	7,396	1,453	989	2,301	-0-
Employee benefits	<u>26,520</u>	<u>2,591</u>	<u>20,754</u>	<u>1,143</u>	<u>-0-</u>
Total Salaries and Related Expenses	128,149	39,890	67,737	46,147	-0-
Depreciation	-0-	-0-	-0-	-0-	-0-
Insurance	-0-	-0-	576	-0-	-0-
Advertising	-0-	-0-	-0-	-0-	-0-
Telephone / communications	-0-	-0-	4,705	-0-	-0-
Occupancy expenses	-0-	-0-	367	-0-	-0-
Supplies	-0-	-0-	444	-0-	3,339
Postage	-0-	-0-	-0-	-0-	-0-
Travel	420	-0-	-0-	294	-0-
Contracted services	-0-	-0-	-0-	-0-	-0-
Equipment rent & maintenance	-0-	-0-	-0-	-0-	-0-
Conference / training	-0-	-0-	-0-	-0-	-0-
Grants and assistance	209	-0-	-0-	-0-	-0-
Dues & memberships	-0-	-0-	-0-	-0-	-0-
Other	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenses	<u>\$ 128,778</u>	<u>\$ 39,890</u>	<u>\$ 73,829</u>	<u>\$ 46,441</u>	<u>\$ 3,339</u>

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

<u>STOP Grant</u>	<u>United Way</u>	<u>VOCA Grant</u>	<u>ATAP</u>	<u>Other & General Admin.</u>	<u>TOTALS</u>
\$ 49,819	\$ -0-	\$ 28,589	\$ 2,902	\$ 36,972	\$ 337,058
3,645	-0-	1,567	182	472	18,005
<u>18,690</u>	<u>-0-</u>	<u>7,891</u>	<u>872</u>	<u>139</u>	<u>78,600</u>
72,154	-0-	38,047	3,956	37,583	433,663
-0-	-0-	-0-	-0-	26,274	26,274
-0-	73	-0-	-0-	6,641	7,290
-0-	52	-0-	-0-	-0-	52
-0-	-0-	-0-	-0-	436	5,141
-0-	7,691	-0-	-0-	9,313	17,371
-0-	833	-0-	40	2,337	6,993
-0-	-0-	-0-	-0-	1,137	1,137
750	-0-	693	-0-	2,672	4,829
-0-	-0-	-0-	10,758	9,494	20,252
-0-	-0-	-0-	-0-	5,823	5,823
-0-	-0-	-0-	-0-	245	245
90	250	-0-	-0-	633	1,182
-0-	475	-0-	120	122	717
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,711</u>	<u>3,711</u>
<u>\$ 72,994</u>	<u>\$ 9,374</u>	<u>\$ 38,740</u>	<u>\$ 14,874</u>	<u>\$ 106,421</u>	<u>\$ 534,680</u>

RIVER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES AND ORGANIZATION

River House, Inc., formerly known as River House Shelter & Domestic Crisis Services, is a nonprofit agency that serves victims and survivors of homelessness, domestic abuse and sexual violence in the four Northern Michigan Counties of Crawford, Ogemaw, Oscoda and Roscommon. The main facility is in Grayling, Michigan with an outreach office in West Branch, Michigan. The former organization was established in 1986 as a part of Mercy Hospital. River House, Inc. was established on March 30, 2005 as a Michigan nonprofit Corporation and granted 501(c)(3) status by the Internal Revenue Service. On April 1, 2006, all of the facilities and activities were formally assigned to River House, Inc.

BASIS OF PRESENTATION AND NET ASSETS

The financial statements of River House, Inc. are prepared in conformity with the standards promulgated by the Financial Accounting Standards Board in SFAS No. 116 "Accounting for Contributions Received and Contributions Made" and SFAS No. 117 "Financial Statements of Not-For-Profit Organizations."

The financial statements are prepared in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit organizations. River House, Inc. therefore reports information about its financial position and activities using three classes of net assets that recognize the existence and nature of restrictions on its net assets.

Unrestricted net assets represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the organization in accordance with the Articles of Incorporation and By-laws.

Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by the passage of time. River House, Inc. currently has no temporarily restricted net assets.

Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently.

RIVER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESTRICTED AND UNRESTRICTED SUPPORT

Contributions received or donor promises to give are recorded as temporarily restricted, permanently restricted, or unrestricted support, depending on the existence or nature of any donor restriction. Contributions made to River House, Inc. are considered available for unrestricted use unless specifically restricted by the donor. Contributions of property and equipment are reported as unrestricted contributions when placed in service unless the donor has restricted the use of the asset to a specific purpose or time period. Contributions of cash or other assets that must be used to acquire property and equipment are reported as increases in temporarily restricted net assets until the assets are acquired and placed in service as instructed by the donor, unless the donor has also required that the acquired asset be used for a specific purpose or time period. If the donor requires property and equipment to be used for a specific purpose, restrictions on net assets are released as the asset is depreciated. If the donor requires property and equipment to be used for a specific time period, restrictions on net assets are released evenly over the period required.

All restricted support is reported as an increase in temporarily or permanently restricted net assets. However, support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. When a restriction expires, such as when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

CONTRACTS AND GRANTS

River House, Inc. is primarily funded through grants and contracts with various agencies, local governments and the State of Michigan. Most of these agreements are funded on a cost reimbursement basis and revenue is recognized when earned.

FUNCTIONAL EXPENSES

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on units of service and support costs are allocated to a program based on total program costs.

RIVER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SERVICE FEES

Fees are received for counseling services. Amounts received are recorded as revenue in the financial statements as services are provided. The amounts are recorded as revenue in unrestricted net assets.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAX STATUS

River House, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provisions for federal income taxes.

SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through January 7, 2013, the dates of these financial statements were available to be issued and have determined that no material subsequent events have occurred that should be recorded in the accompanying financial statements.

NOTE B - CASH AND INVESTMENTS

Cash and investments includes cash on hand, amounts on deposit in checking accounts and certificate of deposits as follows:

Cash on Hand	\$ 100
Checking Accounts	48,519
Certificate of Deposits	<u>155,761</u>
Total Cash and Investments	<u>\$204,380</u>

RIVER HOUSE, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2012

NOTE C - GRANTS RECEIVABLE

Grant receivables represent contract and grant amounts due from various agencies for services provided. A detail of these receivables is presented below:

DVB Grant	\$ 6,387
Dept of Education - CACFP	585
VOCA Grant	10,311
Rural Grant	1,671
Salvation Army	8,388
STOP Grants	<u>3,169</u>
Total	<u>\$ 30,511</u>

NOTE D - PROPERTY AND EQUIPMENT

It is the policy of River House, Inc. to capitalize all expenditures for buildings and equipment in excess of \$5,000. Those items with a cost of less than \$5,000 are expensed in the year of acquisition. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at their estimated fair market value on the date donated. All items are on the premises and in usable conditions.

Repairs and maintenance expenses are charged to operations when incurred and major betterment and replacements are capitalized.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Depreciation expense is \$26,274 for the year ended September 30, 2012.

The major classes of depreciable assets as of September 30, 2012 and 2011, consist of:

	<u>2012</u>	<u>2011</u>
Land	\$ 64,227	\$ 64,227
Buildings	<u>650,366</u>	<u>650,366</u>
	714,593	714,593
Less accumulated depreciation	<u>260,087</u>	<u>233,813</u>
Net	<u>\$454,506</u>	<u>\$480,780</u>

RIVER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE E - ADVANCES

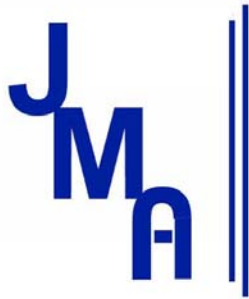
River House, Inc received several grants in advance during the fiscal year. As of September 30, 2012 \$9,866 had not been expended. These will be treated as income in the subsequent year when the remainder of the grant funds are expended.

NOTE F - EMPLOYEE LEASING AGREEMENT

On April 18, 2006, River House, Inc. entered into an employee leasing agreement with Mercy Hospital. All employees of River House, Inc. are leased from the hospital. River House reimburses the hospital for the employee wages and fringes on a bi-weekly basis.

NOTE G - FUND-RAISING EXPENSE

Total fund-raising expense for the year ended September 30, 2012 was \$3,101. The expenses are included in the functional expenses with general administrative expenses and are reported on the accrual basis.



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653
Phone: (989) 821-8601 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

January 7, 2013

To the Board of Directors of
River House, Inc.
Grayling, MI 49738

In planning and performing my audit of the financial statements of River House, Inc as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America, I considered River House Inc.'s internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

Segregation of Duties

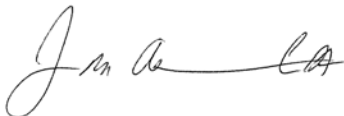
The idea of segregation of duties is that two or more persons are part of a process, such as cash disbursements, so that if a mistake is made by one, it will become apparent to another within a reasonable time period.

Currently, the organization has one person performing most of the bookkeeping functions. With a limited staff, the Organization has an inherent weakness in the internal controls. Segregation of duties is being done on a practical basis between staff.

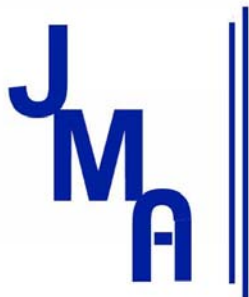
Financial Statement Presentation

It is the responsibility of River House, Inc.'s management to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting). As is with most small and medium sized entities, the Organization has historically relied on its independent external auditor to assist in the preparation of the non-profit financial statements and footnotes as part of its external financial reporting process. Accordingly, the non-profit organization's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the non-profit's internal control. This condition was caused by the Organization's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditor than to incur the time and expense of obtaining the necessary training and expertise required for the Organization to perform this task internally.

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

A handwritten signature in cursive script, appearing to read "James M. Anderson".

James M. Anderson, P.C.
Certified Public Accountant



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653
Phone: (989) 821-8601 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

January 7, 2013

To the Board of Directors
of River House, Inc.
Grayling, MI 49738

I have audited the financial statements of River House, Inc. for the year ended September 30, 2012, and have issued my report thereon dated January 7, 2013. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Standards

As stated in my engagement letter dated November 20, 2012, my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by River House, Inc. 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 2011/2012. I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

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.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

I have requested certain representations from management that are included in the management representation letter dated January 7, 2013.

Management Consultations with Other Independent Accountants

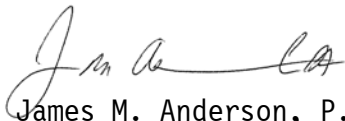
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination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

Board of Directors of
River House, Inc.
January 7, 2013
Page 3

Other Audit Findings or Issues

I 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 auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

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

A handwritten signature in cursive script, appearing to read "James M. Anderson, P.C.", written in black ink.

James M. Anderson, P.C.
Certified Public Accountant