

HIS HOUSE, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2012

**HIS HOUSE, INC.**  
**FINANCIAL STATEMENTS**  
**AND ADDITIONAL INFORMATION**

**JUNE 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors of  
His House, Inc.  
Miami, Florida

I have audited the accompanying statement of financial position of His House, Inc. (a nonprofit organization) (the organization) as of June 30, 2012 and the related statements of activities, cash flows and functional expenses, for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 His House, Inc. (a nonprofit organization) as of June 30, 2012 and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards and the Florida Single Audit Act*, I have also issued a report dated December 14, 2012 on my consideration of His House, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards and the Florida Single Audit Act* and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of His House, Inc. taken as a whole. The accompanying schedules of expenditures of Federal awards and expenditures of state financial assistance are presented for purposes of additional analysis as required by U. S. Office of Management of Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the Florida Single Audit Act, and are not a required part of the basic financial statements. All supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Richard Henneforth, CPA

December 14, 2012

HIS HOUSE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

ASSETS

Cash	\$ 1,752,467
Grants and program fees receivable (net of allowance of \$180,000)	767,139
Prepaid expenses and other receivables	154,246
Pledges receivables	101,633
Inventories	16,375
Property and equipment – net	<u>427,340</u>

Total Assets \$ 3,219,200

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 180,647
Accrued expenses	268,734
Deferred revenue	208,056
Notes payable	<u>31,480</u>

Total Liabilities 688,917

NET ASSETS

Unrestricted net assets:	
Operating	1,433,976
Board designated	1,000,000
Temporarily restricted	<u>96,307</u>

Total Net Assets 2,530,283

Total Liabilities and Net Assets \$ 3,219,200

See notes to financial statements

HIS HOUSE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contracts for client services	\$ 9,129,832	\$ -	\$ 9,129,832
Contributions	705,165	67,121	772,286
Fund raising events (net of direct costs of \$ 152,379)	65,200	-	65,200
In-kind contributions	479,982	-	479,982
Investment income	5,863	-	5,863
Other income	<u>41,411</u>	<u>-</u>	<u>41,411</u>
 Total	 <u>10,427,453</u>	 <u>67,121</u>	 <u>10,494,574</u>
 Net assets released from restriction	 <u>117,832</u>	 <u>(117,832)</u>	 <u>-</u>
EXPENSES			
Program services	10,912,798	-	10,912,798
Management & general & fundraising	<u>668,035</u>	<u>-</u>	<u>668,035</u>
 Total	 <u>11,580,833</u>	 <u>-</u>	 <u>11,580,833</u>
 Changes in Net Assets	 (1,035,548)	 (50,711)	 (1,086,259)
NET ASSETS			
 BEGINNING OF YEAR	 <u>3,469,524</u>	 <u>147,018</u>	 <u>3,616,542</u>
 END OF YEAR	 <u>\$ 2,433,976</u>	 <u>\$ 96,307</u>	 <u>\$ 2,530,283</u>

See notes to financial statements

HIS HOUSE, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$ (1,086,259)
Adjustments to reconcile net income to net cash provided by operating activities:	
Decrease (increase) in certificates of deposits	252,587
Depreciation and amortization	177,090
Decrease (increase) in grant and programs fees receivables	939,166
Decrease (increase) prepaid expenses and other receivables	(43,868)
Decrease (increase) pledged receivable	171,076
Increase (decrease) accounts payable	34,682
Increase (decrease) in other payables and accrued expenses	(263,851)
Increase (decrease) in deferred revenues	46,652
Donated equipment	<u>(11,300)</u>
Net cash provided by operating activities	<u>215,975</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(125,058)
Disposal of other asserts	<u>15,508</u>
Net cash used by investing activities	<u>(109,550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on capitalized leases	<u>(33,049)</u>
Net cash used by financing activities	<u>(33,049)</u>
Net increase in cash and cash equivalents	73,376
Cash and cash equivalents beginning of year	<u>1,679,091</u>
Cash and cash equivalents end of year	<u>\$1,752,467</u>
Supplemental cash flow information:	
Interest paid	<u>\$ 2,973</u>
Supplemental disclosure of non-cash transactions	
In-kind contributions – program and service fees	<u>\$ 467,729</u>
In-kind contributions – donated equipment	<u>\$ 11,300</u>

See notes to financial statements

**HIS HOUSE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2012**

	Program Service				Supporting Services				
	UAC	Social Services	Residential	Academy	Total Program	Fund- raising	Manage- ment & General	Operations	Total
Compensation and related expenses:									
Salaries	\$1,755,821	\$1,566,966	\$ 1,274,847	\$ 466,549	\$5,064,183	\$ 313,364	\$ 687,310	\$299,196	\$ 6,364,053
Payroll taxes and benefits	<u>178,242</u>	<u>138,850</u>	<u>156,210</u>	<u>37,872</u>	<u>511,174</u>	<u>36,636</u>	<u>201,706</u>	<u>28,358</u>	<u>777,874</u>
	1,934,063	1,705,816	1,431,057	504,421	5,575,357	350,000	889,016	327,554	7,141,927
Bad Debts				80,000	80,000		90,000		170,000
Clothing & personal needs	92,870	14,917	5,935		113,722				113,722
Depreciation and Amortization							177,090		177,090
Dues and subscriptions				503	503	4,357	13,506	1,043	19,409
Equipment rentals	383		1,149	252	1,784	3,181	6,668	676	12,309
Field trips	5,642		14,806	374	20,822				20,822
Food and household supplies	289,715		155,179	36,260	481,154	1,500	2,128		484,782
Foster family subsidies		246,495			246,495				246,495
Insurance	21,717	16,840	27,495	7,150	73,202		330,910		404,112
Licenses and taxes	1,681		1,344	283	3,308		2,848		6,156
Meeting and continuing education	153	962	1,459		2,574	193	1,126		3,893
Miscellaneous expenses	1,650	753	2,249	291	4,943	73	16,753	26	21,795
Occupancy	259,177	33,024	370,536	53,442	716,179	28,120	51,000	23,287	818,586
Office supplies and expense	36,442	15,222	25,697	16,768	94,129	29,867	78,252	83,697	285,945
Other client services	236,380	140,245	4,203	25,688	406,516				406,516
Postage	10,104	404	168	192	10,868	10,332	8,351	264	29,815
Professional fees	1,306	26,429	1,557	19,403	48,695	33,607	153,185		235,487
Public relations	282	5,508	555	332	6,677	22,970	962		30,609
School supplies	5,650	55	153	11,144	17,002				17,002
Screenings	10,051	28,031	5,902	2,596	46,580	9,995	1,784	429	58,788
Telephone	49,248	14,947	23,370	6,974	94,539	3,608	31,457	2,086	131,690
Training	4,002	3,676	2,399	2,479	12,556		1,983		14,539
Travel	980	566			1,546		3,794		5,340
Uniforms	8,646	52	11,011		19,709	78	3,133		22,920
Vehicle expense	52,405	78,494	70,169	12,810	213,878	2,614	2,186	14,677	233,355
Donated goods and services	372,929	1,312	55,854	5,764	435,859	27,641	4,229		467,729
Distributed costs	<u>753,648</u>	<u>677,360</u>	<u>556,537</u>	<u>196,656</u>	<u>2,184,201</u>	<u>117,159</u>	<u>(1,847,621)</u>	<u>(453,739)</u>	<u>0</u>
	<u>\$4,149,124</u>	<u>\$3,011,108</u>	<u>\$2,768,784</u>	<u>\$ 983,782</u>	<u>\$10,912,798</u>	<u>\$ 645,295</u>	<u>\$ 22,740</u>	<u>\$ 0</u>	<u>\$11,580,833</u>

See notes to financial statements



## HIS HOUSE, INC.

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

#### 1. Nature of Activities and Summary of Significant Accounting Policies

His House, Inc., (the Organization) is a not-for-profit Florida Corporation incorporated on February 28, 1989. The purposes of the Organization are to provide an immediate, safe, home-like atmosphere for abused, neglected and drug exposed children; and to recruit, train, cultivate and retain foster parents in the south Florida area.

The Organization's operations are principally funded by private grants, contracts from federal and state government agencies, and program service fees.

The Organization was recognized by the Internal Revenue Service as a 501(c)(3) on September 13, 1990, and thereby it qualifies as a tax-exempt organization.

**Basis of Accounting:** The financial statements have been prepared on the accrual basis of accounting. Classification of the Organization's net assets and its revenues and expenses are based on the existence or absence of donor-imposed restrictions. The Organization classifies net assets by the following categories:

- a. Unrestricted net assets consist of net assets that are not subject to any donor-imposed stipulations.
- b. Temporarily restricted net assets consist of net assets subject to donor-imposed or other legal restrictions on the use of the assets that may be met either by the passage of time or by actions of the organization.
- c. Permanently restricted net assets result primarily from contributions and other inflows of assets whose use the organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Contributions received with donor-imposed restrictions that are met in the same year they are received are reported as revenue of the "unrestricted" class.

The Board of Directors has designated \$1,000,000 of net assets as capital reserve funds.

**Cash Equivalents:** All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

**Property and Equipment:** Purchases of property and equipment having a unit cost (or fair value if contributed) of \$1,000 or more and an estimated useful life of more than three years are capitalized. Furniture and equipment are depreciated over their estimated useful lives for accounting as well as for tax purposes. Improvements are amortized over the remaining life of the related lease.

**HIS HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**Inventories:** Inventories of food, clothing and household items are recorded at the lower of cost (or fair value at date of donation) or market value.

**Recognition of Revenues and Support:** Support from donations is recognized when received.

**Donated Property and Services:** Donated property and services are recorded at their fair value when received. The financial statements include \$12,385 of donated services. No amounts have been reflected in the financial statements for donated services which did not; (a) create or enhance non-financial assets or (b) require specialized skills provided by individuals possessing such skills and which would have been purchased if not provided by donation. However, a substantial number of volunteers have donated significant amounts of their time to the Organization.

**Use of Estimates:** The preparation of financial statements in conformity with 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.

**Accreditation:** In January of 2007 His House, Inc. was accepted as a full member of the Council on Accreditation, a national association of non-public organizations. The Organization was recertified in 2011. The Organization underwent a rigorous process in order to achieve membership. This signifies that His House, Inc. meets the highest performance standards and delivers the very best quality services.

**2. Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization had no unconditional or conditional promises to give at June 30, 2012.

**3. Contracts**

The Organization is the recipient of a full case management contract with Our Kids, Inc. The contract reimbursement is based upon service units. The original contract period was January 1, 2007 to June 30, 2007 with extensions granted thru October 31, 2009. A new contract was signed for the period November 1, 2009 through December 31, 2013. Approximately 37% of the Organization's revenue from grants and contracts for client services is a result of the contract.

The Organization also works under contract with Childnet providing His House licensed foster families for Childnet children placements. The contract extends from July 2011 to June 2012.

The Organization is the recipient of a grant from the Office of Refugee Resettlement for residential and long-term foster care under the unaccompanied alien (UAC) program. The grant is for the period October 1, 2010 to September 30, 2013. Approximately 43% of the Organization's revenue from grants and contracts for client services is a result of the grant.

HIS HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

4. **Property and Equipment**

Property and equipment at June 30, 2012 are summarized as follows:

		Estimated Useful Life <u>(Years)</u>
Horizon building/improvements	\$ 674,313	3.5
Leasehold improvements	183,642	5
Office furniture and equipment	478,086	3 -5
Transportation equipment	494,025	5
Residential furniture and equipment	<u>282,032</u>	10
	2,112,098	
Less accumulated depreciation	<u>1,684,758</u>	
	<u>\$ 427,340</u>	

5. **Rent - Lease Commitments**

In September 2005, His House, Inc. signed a permit agreement with Miami-Dade County for use of buildings at the Community of Landmark for a one year term from October 1, 2005 to September 30, 2006, with a one year optional renewal period to September 30, 2007. The agreement had subsequently been extended to January 31, 2008. New lease agreements were signed and extended for the periods from February 1, 2008 to January 31, 2010; February 1, 2010 to January 31, 2012; and January 31, 2012 to December 31, 2012 with a one year option to renew. His House, Inc. also leased warehouse space under an agreement through October 31, 2016.

Future minimum payments due under the permit agreement are as follows:

Year Ending June 30:

2013	\$ 765,215
2014	413,284
2015	45,736
2016	63,121
2017	<u>16,013</u>
	<u>\$1,303,369</u>

6. **Grants and Program Fees Receivable**

The receivable results from contract services provided to Our Kids, Inc., the Office of Refugee Resettlement, and shelter services provided to other agencies. An allowance for uncollectible receivables is provided based on management's evaluation of individual accounts. Approximately 66% of receivables are due from contract services provided to Our Kids, Inc., and 19% are due from the Office of Refugee Resettlement.

**HIS HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**7. Commitments and Contingencies**

The Organization receives all of its funding from private donations, government contracts and other not-for profit organizations. A significant reduction in the level of this funding, if it were to occur, would have a significant effect on the Organization's ability to carry out its programs and activities.

Expenses reflected in the accompanying financial statements relating to government funded programs are subject to audit by the respective funding sources. The possible disallowance by the related agency of any item charged to a program cannot be determined at this time. No provision for any liability that may result has been made in the financial statements.

**8. His House Academy**

His House Academy offers at-risk children a faith-based private school education in a small classroom setting. In a trauma-sensitive learning environment, the Academy is committed to providing each child with the care and attention necessary for consistent behavioral and academic development. An after school enrichment program includes music, dance, and exposure to aviation experience.

**9. Concentration of Credit Risk**

The Organization maintains cash balances at financial institutions in Florida. At various times throughout the year the Organization had cash deposits in excess of federally insured limits. At June 30, 2012 the Organization's uninsured balances total \$756,242.

**10. Temporarily Restricted Net Assets**

Temporarily restricted net assets, which are held in cash and contribution receivables, are available for the following at June 30, 2012:

Programs and service expenditures:	
Restricted by passage of time	\$ 0
Equipment purchases	15,187
Volunteer support	20,835
Other program expenditures	<u>60,285</u>
	<u>\$ 96,307</u>

**11. Notes Payable**

The Organization leases copier and printer equipment under various capital leases. The economic substance of the leases is that the Organization is financing the acquisition of the equipment through the lease, and accordingly, it is recorded in the Organization's assets and liabilities.

The total equipment capitalized	\$ 141,516
Less accumulated depreciation	<u>113,654</u>
	<u>\$ 27,862</u>

**HIS HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2012,

Year ending June 30, 2013	\$ 31,946
2014	480
Later years	<u>-0-</u>
Total minimum lease payments	\$ 32,426
Less amount representing interest	<u>946</u>
Present value of minimum lease payments @ 6%	<u><u>\$ 31,480</u></u>

**12. Income Taxes**

As a nonprofit organization, His House, Inc. is not subject to taxes on income pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ending June 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

**13. Other Matters**

In the 23 year history of His House there has been two occasions of reported year end losses. The first reported loss was in 2008, as a result of the national financial crisis. The second reported loss is contained in this report. The current losses result primarily from improper pricing on service contracts and needed funding for the school. Management and the governing board resolved to restructure the organization in various ways; by reducing non-essential positions, by restructuring the school to function within available revenue, by creating increased capacity to "sell" more beds on campus and by renegotiating contracts.

**14. Evaluation of Subsequent Events**

His House, Inc. has evaluated subsequent events through December 14, 2012, the date which the financial statements were available to be issued.

HIS HOUSE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Grantor</u> <u>Pass-Through Entity</u> <u>Federal Program</u>	<u>CFDA</u> <u>Number</u>	<u>Federally</u> <u>Funded</u> <u>Expenditures</u>
<b>Federal Major Program:</b>		
US Department of Health and Human Services		
Passed through Office of Refugee Resettlement Unaccompanied Alien Children	93.676	\$ 3,755,971
Passed through Florida Department of Children & Families		
Passed through Our Kids of Miami-Dade, Inc. Foster Care	93.658	\$ 1,540,223
Passed through Childnet, Inc. Foster Care	93.658	110,935
<b>Non-Major Programs:</b>		
US Department of Health and Human Services		
Passed through Florida Department of Children and Families		
Passed through Our Kids of Miami-Dade, Inc.		
Social Services Block Grant	93.667	669,675
Temporary Assistance for Needy Families	93.558	282,941
Adoption Assistance	93.659	138,381
Children Welfare Services	93.645	54,707
Chafee Foster Care Independence Program	93.674	23,369
Promoting Safe and Stable Families	93.556	6,931
Passed through Childnet, Inc.		
Social Services Block Grant	93.667	66,424
Temporary Assistance for Needy Families	93.558	10,158
Adoption Assistance	93.659	3,510
Children Welfare Services	93.645	2,142
Promoting Safe and Stable Families	93.556	<u>92</u>
		<u>\$ 6,665,459</u>

NOTE: Schedule prepared on the accrual basis of accounting.

**HIS HOUSE, INC.**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2012**

<u>State Agency</u> <u>Pass-Through Entity</u> <u>State Project</u>	<u>CSFA</u> <u>Number</u>	<u>Expenditures</u>
<b>State Major Programs:</b>		
Department of Children and Families Passed through Our Kids of Miami-Dade, Inc. Community Based Care Supports	60.094	1,618,278
Passed through Childnet, Inc.	60.094	<u>110,370</u>
		<u>\$ 1,728,648</u>

NOTE: Schedule prepared on the accrual basis of accounting.

**HIS HOUSE, INC.**

**REPORTS REQUIRED UNDER  
GOVERNMENT AUDITING STANDARDS  
AND THE SINGLE AUDIT ACT  
FOR THE YEAR ENDED JUNE 30, 2012**



# RICHARD HENNEFORTH

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
His House, Inc.  
Miami, Florida

I have audited the financial statements of His House, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012 and have issued my report thereon dated December 14, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing my audit, I considered His House, Inc.'s internal control over financial reporting 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 His House, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of His House Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

To the Board of Directors of  
His House, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether His House, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Richard Henneforth, CPA

December 14, 2012

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors of  
His House, Inc.  
Miami, Florida

### **Compliance**

I have audited the compliance of His House, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the State of Florida Executive Office of the Governor's State Projects Compliance Supplement that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2012. His House, Inc.'s major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of His House, Inc.'s management. My responsibility is to express an opinion on His House, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and State of Florida Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.650, Rules of the Audit General require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about His House, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on His House, Inc.'s compliance with those requirements.

In my opinion, His House, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2012.

### **Internal Control Over Compliance**

The management of His House, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirement of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing my audit, I considered His House, Inc.'s internal control over

To the Board of Directors of  
His House, Inc.

compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of His House, Inc. internal control over compliance.

A control *deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A material weakness in control over compliance is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Richard Henneforth, CPA

December 14, 2012

HIS HOUSE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Non-compliance material to financial statements noted?	No

Federal Programs and State Projects

Internal control over major programs and projects:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No

Type of auditor’s report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? No

Any audit findings disclosed that are required to be reported Under Section 10.656, Rules of the Auditor General? No

Any audit comments or recommendations reported in a Separate letter as required by Section 10.654(1)(d), Rules of the Auditor General No

Identification of Major Programs and Projects:

<u>Federal Program</u>	<u>CFDA#</u>
Department of Health and Human Services	
Foster Care	93.658
Unaccompanied Alien Children	93.676

<u>State Project</u>	<u>CSFA#</u>
Florida Department of Children & Families	
Community Based Care Support	60.094

Dollar threshold used to distinguish between Type A and Type B programs and projects:

Major Federal Programs	\$300,000
Major State Projects	\$300,000

Auditee qualified as low risk auditee? Yes

**HIS HOUSE, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

None

SIGNIFICANT DEFICIENCIES

None

OTHER MATTERS

None

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR  
FEDERAL PROGRAMS AND MAJOR STATE PROJECTS

MATERIAL WEAKNESSES

None

SIGNIFICANT DEFICIENCIES

None

OTHER MATTERS

None

A SEPARATE MANAGEMENT LETTER WAS NOT ISSUED

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

**There were no 2011 findings.**