HIS HOUSE, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2014

SWKJD

CERTIFIED PUBLIC ACCOUNTANTS

HIS HOUSE, INC.
YEAR ENDED JUNE 30, 2014

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SWKJD
CERTIFIED PUBLIC ACCOUNTANTS

SHARFF, WITTMER, KURTZ, JACKSON & DIAZ
P.A.
CERTIFIED PUBLIC ACCOUNTANTS

DAVID D. SHARFF, C.P.A. - DECEASED
STEVEN C. WITTMER, C.P.A. - RETIRED
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JOSEPH M. JACKSON, C.P.A.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
His House, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of His House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 the audit. We conducted the 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

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The Board of Directors
His House, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of His House, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of state financial assistance, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and* Chapter 10.650*, Rules of Auditor General* of the State of Florida, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2015, on its consideration of His House, Inc.'s internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering His House, Inc.'s internal control over financial reporting and compliance.

Sharff, Wittmer, Kurtz, Jackson + Diaz, P.A.

SHARFF, WITTMER, KURTZ, JACKSON & DIAZ, P.A.
Certified Public Accountants

Coral Gables, Florida
March 25, 2015

HIS HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS	
Current assets:	
Cash and cash equivalents	$ 572,100
Grants and program fees receivable (net allowance of $22,083)	1,104,585
Pledges receivables	44,188
Other receivables	20,889
Inventories	16,375
Prepaid expenses	83,208
Gift cards and other assets	4,973
Total current assets	1,846,318
Property and equipment – net	287,932
TOTAL ASSETS	$2,134,250
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	$ 325,960
Accrued expenses	363,905
Deferred revenue	10,333
Capital lease settlement obligation	8,500
Capital lease payable, current portion	24,008
Total current liabilities	732,706
Long term liabilities:	
Capital lease obligation, less current portion	19,645
Total long-term liabilities	19,645
TOTAL LIABILITIES	752,351
Net assets:	
Unrestricted	
Undesignated	200,948
Designated for capital reserve funds	1,000,000
Temporarily restricted	180,951
TOTAL NET ASSETS	1,381,899
TOTAL LIABILITIES AND NET ASSETS	$2,134,250

HIS HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and contracts for client services	$ 11,569,098	$ -	$ 11,569,098
Contributions	778,699	288,340	1,067,039
Fund raising events (net direct costs of $136,501)	264,574	-	264,574
In-kind contributions	415,126	-	415,126
Investment income	1,686	-	1,686
Other income	115,077	-	115,077
Net assets released from restriction	237,629	(237,629)	-
TOTAL SUPPORT AND REVENUE	13,381,889	50,711	13,432,600
EXPENSES			
Program services	13,081,787	-	13,081,787
Management & general & fundraising	1,143,568	-	1,143,568
TOTAL EXPENSES	14,225,355	-	14,225,355
CHANGE IN NET ASSETS	(843,466)	50,711	(792,755)
PRIOR PERIOD ADJUSTMENT	155,851	-	155,851
NET ASSETS, BEGINNING OF YEAR	1,888,563	130,240	2,018,803
NET ASSETS, END OF YEAR	$ 1,200,948	$ 180,951	$ 1,381,899

HIS HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Service					Supporting Services				
	UAC	Social Services	Residential	Academy	Total	Fundraising	Management & General	Operations	Total	Grand Total
Bad Debts	$ -	$ 66,648	$ -	$ 41,009	$ 107,657	$ -	$ 25,851	$ -	$ 25,851	$ 133,508
Clothing & Personal Needs	205,412	10,591	2,703	-	218,706	-	-	-	-	218,706
Depreciation & Amortization	-	-	-	-	-	-	140,458	-	140,458	140,458
Distributed Costs	1,079,454	400,549	391,216	99,639	1,970,858	174,351	(1,707,835)	(437,374)	(1,970,858)	-
Donated Goods & Services	-	-	-	-	-	402,426	-	-	402,426	402,426
Dues & Subscriptions	-	-	-	329	329	6,398	16,347	10,415	33,160	33,489
Equipment Rentals	-	-	-	838	838	9,006	8,302	1,415	18,723	19,561
Field Trips	18,556	-	5,437	33	24,026	-	-	-	-	24,026
Food & Household Supplies	477,411	-	78,951	1,524	557,886	86	9,909	-	9,995	567,881
Foster Family Subsidiaries	-	270,494	-	-	270,494	-	-	-	-	270,494
Insurance	139,586	13,273	72,453	6,853	232,165	1,683	68,030	1,690	71,403	303,568
Licenses & Taxes	963	48,277	734	799	50,773	-	3,604	-	3,604	54,377
Meeting & Continuing Education	645	90	-	-	735	3,241	2,083	-	5,324	6,059
Miscellaneous Expenses	135	8,918	966	540	10,559	4,374	43,170	514	48,058	58,617
Occupancy	559,132	14,253	280,743	55,673	909,801	13,921	104,368	27,686	145,975	1,055,776
Office Supplies & Expense	67,671	9,672	34,782	3,859	115,984	42,062	91,320	14,673	148,055	264,039
Other Client Services	908,929	142,170	5,986	3,781	1,060,866	-	-	-	-	1,060,866
Payroll Taxes & Benefits	367,231	137,679	162,402	33,136	700,448	36,396	258,866	33,849	329,111	1,029,559
Postage	25,521	144	55	10	25,730	8,768	6,381	281	15,430	41,160
Professional Fees	1,080	14,304	-	1,703	17,087	35,951	151,330	-	187,281	204,368
Public Relations	1,233	1,600	366	-	3,199	6,357	1,564	-	7,921	11,120
Salaries	3,521,080	1,230,069	1,239,197	287,236	6,277,582	340,301	779,642	324,289	1,444,232	7,721,814
School Supplies	6,890	571	1,827	953	10,241	-	-	-	-	10,241
Screenings	29,652	23,129	5,598	400	58,779	7,880	1,117	498	9,495	68,274
Telephone	54,419	7,879	25,725	9,171	97,194	1,337	38,249	2,078	41,664	138,858
Training	11,320	10,216	1,938	272	23,746	37	1,092	-	1,129	24,875
Travel	840	-	-	-	840	-	96	-	96	936
Uniforms	11,501	432	2,514	139	14,586	3,452	(24)	-	3,428	18,014
Vehicle Expense	179,488	69,619	55,176	16,395	320,678	1,512	2,588	17,507	21,607	342,285
	$7,668,149	$2,480,577	$2,368,769	$ 564,292	$13,081,787	$1,099,539	$ 46,508	$ (2,479)	$1,143,568	$14,225,355

HIS HOUSE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in net assets	$(792,755)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	140,457
Bad debts	133,508
Prior period adjustment	155,851
Donated equipment	(12,700)
Increase in grant and programs fees receivables	(159,790)
Decrease prepaid expenses and other receivables	37,726
Decrease in pledges receivable	14,795
Increase in other receivables	(118)
Increase in accounts payable	63,745
Increase in accrued expenses	88,333
Decrease in deferred revenues	(211,439)
Net cash used in operating activities	(542,387)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(52,822)
Net cash used in investing activities	(52,822)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on capitalized lease	(15,738)
Net cash used in financing activities	(15,738)
Net decrease in cash and cash equivalents	(610,947)
Cash and cash equivalents beginning of year	1,183,047
Cash and cash equivalents end of year	$ 572,100
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Interest paid	$ 1,591
SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS:	
In-kind donations	$ 402,426
Donated equipment	$ 12,700

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:

Unrestricted net assets consist of net assets that are not subject to any donor-imposed.

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.

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.

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.

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Donated Property and Services - Donated property and services are recorded at their fair value when received. 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, 2014.

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 through October 31, 2009. A new contract was signed for the period November 1, 2009 through December 31, 2013. This contract was concluded on March 3, 2014.

The Organization also works under contract with Childnet providing His House licensed foster families for Childnet children placements. The contract extends from July 2014 to June 2015.

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 project period October 1, 2013 to September 30, 2016. Approximately 65% of the Organization's revenue from grants and contracts for client services is a result of the grant.

4. 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. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed. As of June 30, 2014, the allowance for doubtful accounts was $22,083.

5. Deferred Revenue

The balance in this account consists of amounts collected during each year from event sponsors for events to take place in the following year.

6. Property and Equipment

Property and equipment at June 30, 2014 are summarized as follows:

		Estimated Useful Life (Years)
Horizon building/improvements	$ 674,313	3.5
Leasehold improvements	193,839	5
Office furniture and equipment	587,292	3-5
Transportation equipment	494,025	5
Residential furniture and equipment	314,577	10
	2,264,046	
Less accumulated depreciation	(1,976,114)	
Net property and equipment	$ 287,932	

Depreciation and amortization expense amounted to $140,457 for the period ended June 30, 2014.

7. Rent - Lease Commitments

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. The lease has been renewed every year with a one year optional renewal. The latest renewal commenced on January 1, 2014 for a one year period with a one year optional renewal.

His House, Inc. also leased warehouse space under an agreement through March 1, 2017.

Future minimum payments due under these agreements are as follows:

Year Ending June 30:	
2015	$ 785,192
2016	416,716
2017	40,034
	$1,241,942

Total rent expense for the period ended June 30, 2014 amounted to $795,080.

8. 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.

8. Commitments and Contingencies (continued)

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.

9. His House Academy

During the fiscal year ended June 30, 2014, the His House Academy offered at-risk children a faith-based private school education in a small classroom setting. In a trauma-sensitive learning environment, the Academy was committed to providing each child with the care and attention necessary for consistent behavioral and academic development. The Academy was operating at a financial loss and it was closed at the end of the 2013-2014 school year.

10. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk include accounts receivable and temporary cash investments. Receivables from the Office of Refugee Resettlement (UAC Program) comprised 54% of all receivables at June 30, 2014. 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, 2014 the Organization's uninsured balances totaled $89,273.

11. Temporarily Restricted Net Assets

At June 30, 2014, temporarily restricted net assets of $180,951, held in cash and contribution receivables, are available for the purposes of client support, service projects, community outreach, administrative support, and educational development.

12. Capital Lease Obligations

The Organization leases copier and printer equipment under a capital lease. The economic substance of the lease 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 gross amount of assets in the statement of financial position recorded under capital leases and the accumulated amortization are as follows:

The total equipment capitalized	$64,291
Less accumulated depreciation	25,002
	$39,289

His House, Inc. has a noninterest bearing note payable to GE Capital. However, to reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 3.25%, which was the prevailing rate for similar transactions at the June 2013 inception of the note. The note is payable in monthly installments of $1,786 beginning in June 2013 and ending in May 2016.

12. Capital Lease Obligations (continued)

Future note payments are as follows:

Year Ending June 30	
2015	$ 24,008
2016	19,645
Thereafter	-
Total note payments	43,653
Less amount representing interest at stated rate	-
Face amount of note	$ 43,653
Additional interest expense (unamortized discount)	(1,201)
Present value of note payments	$ 42,452

13. 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 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

14. Other Matters

In the 25 year history of His House financial performance has produced consistent positive outcomes. In more recent years there have been occasions of reported year end losses. His House maintained consistent positive net fund balances until 2008-2009, as the effect of the national financial crisis. In 2011-2012 and 2012-2013 His House again experienced a negative fund balance primarily from improper pricing on service contracts and needed funding for the academy.

His House again experienced a negative fund balance in 2013-2014. Losses remain a concern for the agency as in 2013-2014 this downward trend continued and changes were made to mitigate them. The academy was closed during this fiscal year and the contract with Our Kids was terminated in March 2014. Several programs are being evaluated as losses keep recurring. The losses resulted primarily from improper pricing on service contracts and low utilization of foster homes. Rates were increased in October 2014 for domestic residential to offset some of the losses; however the effect of these increases will not impact the 2013-2014 fiscal year.

15. Prior Period Adjustment

The June 30, 2013 deferred fundraising revenue was overstated by $155,851, which consequently understated net assets. Accordingly, this amount was adjusted to restate net assets as of the beginning of the year.

16. Evaluation of Subsequent Events

His House, Inc. has evaluated subsequent events through March 25, 2015 the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HIS HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Agency/ Pass-Through Entity/ Federal Program	CFDA Number	Federal Expenditures
US Department of Health and Human Services:		
Passed through Office of Refugee Resettlement		
Unaccompanied Alien Children	93.676	$ 7,668,149
Passed through Florida Department of Children & Families		
Passed through Our Kids of Miami-Dade, Inc.		
Foster Care		901,233
Passed through Childnet, Inc.		
Foster Care		117,832
Total Foster Care	93.658	1,019,065
Passed through Our Kids of Miami-Dade, Inc.		
Social Services Block Grant		430,204
Passed through Childnet, Inc.		
Social Services Block Grant		76,503
Total Social Services Block Grant	93.667	506,707
Passed through Our Kids of Miami-Dade, Inc.		
Temporary Assistance for Needy Families		159,830
Passed through Childnet, Inc.		
Temporary Assistance for Needy Families		15,102
Total Temporary Assistance for Needy Families	93.558	174,932
Passed through Our Kids of Miami-Dade, Inc.		
Adoption Assistance		69,098
Passed through Childnet, Inc.		
Adoption Assistance		6,558
Total Adoption Assistance	93.659	75,656
Passed through Our Kids of Miami-Dade, Inc.		
Children Welfare Services		25,020
Passed through Childnet, Inc.		
Children Welfare Services		2,367
Total Children Welfare Services	93.645	27,387
Passed through Our Kids of Miami-Dade, Inc.		
Chafee Foster Care Independence Program	93.674	12,074
Passed through Our Kids of Miami-Dade, Inc.		
Promoting Safe and Stable Families		3,156
Passed through Childnet, Inc.		
Promoting Safe and Stable Families		301
Total Promoting Safe and Stable Families	93.556	3,457
Total expenditures of federal awards		$ 9,487,427

HIS HOUSE, INC.
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014

State Agency/ Pass-Through Entity/ State Project	CSFA Number	Expenditures
Passed through Florida Department of Children & Families		
Passed through Our Kids of Miami-Dade, Inc.		
Out-of-Home Supports		$ 83,832
Passed through Childnet, Inc.		
Out-of-Home Supports		76,651
Total Out-of-Home Supports	60.074	160,483
Passed through Our Kids of Miami-Dade, Inc.		
In-Home Supports		621,813
Passed through Childnet, Inc.		
In-Home Supports		9,130
Total In-Home Supports	60.075	630,943
Passed through Our Kids of Miami-Dade, Inc.		
Independent Living	60.112	15,718
Total expenditures of state financial assistance		$ 807,144

NOTE A—BASIS OF PRESENTATION

The accompanying schedules of State Financial Assistance and Federal Awards (the "Schedules") present the activity of all state and federal award programs of His House, Inc. for the year ended June 30, 2014.The information in these Schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650*, Rules of the Auditor General.* Because the Schedules present only a selected portion of the Organization's operations, they are not intended to and do not present the financial position, changes in net assets, or cash flows of His House, Inc.

In accordance with OMB Circular A-133 – (Part IV), the Schedule of Expenditures of Federal Awards properly excludes state matching funds.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNEMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
His House, Inc.

We have audited, in accordance with the 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, the financial statements of His House, Inc. (the “Organization”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and has issued the report thereon dated March 25, 2015.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements, we considered His House Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did not identify any deficiencies in internal control that it considers to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 the audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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To the Board of Directors of
His House, Inc.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sharff, Wittmer, Kurtz, Jackson & Diaz, P.A.

SHARFF, WITTMER, KURTZ, JACKSON & DIAZ, P.A.
Certified Public Accountants

Coral Gables, Florida
March 25, 2015

SHARFF, WITTMER, KURTZ, JACKSON & DIAZ
P.A.
CERTIFIED PUBLIC ACCOUNTANTS

DAVID D. SHARFF, C.P.A. - DECEASED
STEVEN C. WITTMER, C.P.A. - RETIRED
JOSEPH M. KURTZ, C.P.A. - RETIRED

MICHAEL L. JACKSON, C.P.A.
LUIS E. DIAZ, C.P.A.
MARTIN ROSEN, C.P.A.
JOSEPH M. JACKSON, C.P.A.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
His House, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited the His House, Inc.'s compliance 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 *Department of Financial Services'* State Projects Compliance Supplement, that could have a direct and material effect on each of Organization's major federal programs and state projects for the year ended June 30, 2014. The Organization'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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state projects based on the audit of the types of compliance requirements referred to above. We conducted the 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General*.* Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we 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 the Organization's compliance with those requirements and performing such other procedures as the Firm considered necessary in the circumstances.

We believe that the audit provides a reasonable basis for our opinion on compliance for each major federal programs and state projects. However, the audit does not provide a legal determination of the Organization's compliance.

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To the Board of Directors
His House, Inc.

Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance 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, 2014.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing the audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program or State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and State project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, 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. A significant deficiency in internal control over compliance is a deficiency, or as combination of deficiencies, in internal control over compliance with the type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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 material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that it considers to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Sharff, Wittmer, Kurtz, Jackson + Diaz, P.A.

SHARFF, WITTMER, KURTZ, JACKSON & DIAZ, P.A.
Certified Public Accountants

Coral Gables, Florida
March 25, 2015

HIS HOUSE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Non-compliance material to financial statements noted?	No

Federal Programs

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Identification of Major Programs:

Name of Federal Program	CFDA No.	Expenditures
US Department of Health and Human Services		
Unaccompanied Alien Children	93.676	$7,668,149
Foster Care	93.658	$1,019,065
Social Services Block Grant	93.667	$ 506,707

Dollar threshold used to distinguish between Type A and Type B programs and projects	$300,000
Auditee qualified as low risk auditee?	Yes

SECTION I – SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

State Projects

Type of auditor's report issued:	Unmodified
Internal control over major projects:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Any audit findings disclosed that are required to be reported under Section 10.650, Rules of the Auditor General?	No

Identification of Major Programs:

Name of State Project	CSFA No.	Expenditures
Florida Department of Children & Families		
In-Home Supports	60.075	$ 630,943

Dollar threshold used to distinguish between Type A and Type B programs and projects	$242,143

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL PROGRAM AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

There were no 2013 findings.

There was no management letter related to Federal awards and State financial assistance issued as a result of the June 30, 2014 audit.