

HIS HOUSE, INC.

INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS &
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Armando Aburto, C.P.A.
Jorge Albeirus, C.P.A.
Viviana Bruno, C.P.A.
Lisset I. Cascudo, C.P.A.
Michelle del Sol, C.F.E., C.P.A.
Elizabeth Jarvis, C.P.A.
Cristy C. Rubio, C.P.A.
Pedro L. Silva, C.P.A.
Michael Vildosola, C.P.A.

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of His House, Inc., which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of His House, Inc. (the "Organization"), as of June 30, 2023 and the change in its net assets and its cash flow for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our 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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of expenditures of state financial assistance as required by Chapter 10.650, *Rules of the Florida Auditor General*, is presented for purposes of additional analysis and is 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2024, on our consideration of the Organization's internal control over financial reporting and on our test 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 the Organization's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
March 28, 2024

HIS HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 5,800,471
Grants receivable	2,311,709
Contracts receivable, net	970,880
Investments	1,267,568
Prepaid expenses and other receivables	238,920
Other assets	207,407
TOTAL CURRENT ASSETS	<u>10,796,955</u>

RIGHT-OF-USE ASSET

FURNITURE AND EQUIPMENT, net	51,715
	<u>163,423</u>

TOTAL ASSETS	<u><u>\$ 11,012,093</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,217,299
Accrued expenses	842,294
Lease liability, operating current portion	21,634
Lease liability, current portion	53,769
TOTAL CURRENT LIABILITIES	<u>2,134,996</u>

NON-CURRENT LIABILITIES

Lease liability, operating non-current portion	30,080
Lease liability, non-current portion	2,818
TOTAL NON-CURRENT LIABILITIES	<u>32,898</u>

TOTAL LIABILITIES	<u>2,167,894</u>
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Commitments and contingencies (Note 6)

NET ASSETS

Without donor restriction	8,844,199
TOTAL NET ASSETS	<u>8,844,199</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,012,093</u></u>
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The accompanying notes are an integral part of these financial statements.

HIS HOUSE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

SUPPORT AND REVENUE	
Grant revenue	\$ 16,214,062
Contract revenue	5,461,272
Contributions	2,425,935
In-kind contributions	308,426
Other income	7,254
TOTAL SUPPORT AND REVENUE	<u>24,416,949</u>
EXPENSES	
Program services	19,716,283
Supporting services:	
Fundraising	747,152
General and administrative	1,559,135
Facilities	846,133
TOTAL EXPENSES	<u>22,868,703</u>
CHANGE IN NET ASSETS BEFORE OTHER INCOME	1,548,246
Investment income, net	66,028
CHANGE IN NET ASSETS	<u>1,614,274</u>
NET ASSETS, beginning of year	<u>7,229,925</u>
NET ASSETS, end of year	<u>\$ 8,844,199</u>

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

HIS HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services					Supporting Services			
	Unaccompanied Alien Children Program	Licensing	Residential	Clinical	Sub-Total	Fundraising	General and Administrative	Facility	Total
Salaries, benefits, and taxes	\$ 10,751,254	\$ 252,600	\$ 3,455,021	\$ 245,485	\$ 14,704,360	\$ 271,119	\$ 1,132,330	\$ 694,039	\$ 16,801,848
Occupancy	497,419	8,520	310,116	9,309	825,364	7,870	42,801	46,567	922,602
Client care expenses	340,882	1,675	249,908	-	592,465	3,409	-	6,290	602,164
Food and supplies	450,012	-	220,563	-	670,575	1,839	-	30	672,444
Foster family subsidies	30,534	362,501	875	-	393,910	-	-	-	393,910
Client related travel	457,784	-	-	-	457,784	-	-	-	457,784
Insurance	220,329	2,182	111,080	3,295	336,886	3,934	26,344	24,457	391,621
Office supplies and expenses	207,219	7,112	75,897	9,069	299,297	10,785	25,573	13,867	349,522
Printing and postage	93,934	1,386	1,346	611	97,277	11,783	6,829	117	116,006
Repairs and maintenance	312,713	996	200,479	1,596	515,784	2,745	34,090	32,038	584,657
Telephone and communications	87,313	2,752	17,145	1,497	108,707	-	2,759	5,156	116,622
Vehicle expense	138,878	-	63,823	-	202,701	-	-	1,551	204,252
Donated goods & services	-	-	-	-	-	308,426	-	-	308,426
Other expenses	94,849	16,501	43,350	1,329	156,029	53,968	39,585	7,921	257,503
Professional fees	244,314	3,770	57,426	43,063	348,573	71,172	171,634	13,932	605,311
Bad debt expense	-	-	-	-	-	-	23,731	-	23,731
Depreciation	4,274	91	2,145	61	6,571	102	53,459	168	60,300
Total expenses	\$ 13,931,708	\$ 660,086	\$ 4,809,174	\$ 315,315	\$ 19,716,283	\$ 747,152	\$ 1,559,135	\$ 846,133	\$ 22,868,703

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

HIS HOUSE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,614,274
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Unrealized gain on investments	(66,030)
Provision for bad debt	23,731
Depreciation	60,300
Increase in prepaid expenses and other assets	(300,422)
Increase in contracts receivable	(537,689)
Increase in grants receivable	(690,155)
Increase in accounts payable	655,494
Increase in accrued expenses	272,772
Net cash provided by operating activities	<u>1,032,275</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on financing leases	<u>(147,978)</u>
Net cash used in financing activities	<u>(147,978)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 884,297

CASH AND CASH EQUIVALENTS, beginning of year 4,916,174

CASH AND CASH EQUIVALENTS, end of year \$ 5,800,471

SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid during the year	<u>\$ 879</u>
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The accompanying notes are an integral part of these financial statements.

HIS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – ORGANIZATION

Organization

His House, Inc. (the "Organization") is a not-for-profit Florida Corporation incorporated in 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 areas. The Organization's operations are principally funded by contracts from federal and state government agencies, program service fees, and donations.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The guidance in these ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. ASU 2019-10 and ASU 2020-05 delayed the effective date of ASU 2016-02. The new standard is effective for Organization for the fiscal year ending June 30, 2023. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Upon adoption, the Organization recognized a financing right-of-use ("ROU") liability of \$204,565. See Note 6.

Basis of Presentation

The Organization prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and with standards established by the Financial Accounting Standards Board ("FASB") for external financial reporting by not-for-profit organizations. Accordingly, the Organization's resources are classified and reported based upon the existence or absence of donor-imposed restrictions, as follows:

Net assets without donor restriction – include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transactions (except income and gains on assets that are restricted by donors or by law) are included in the net assets without donor restriction class.

Net assets with donor restriction – include those net assets whose use by the Organization has been limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled by expending the funds for their restricted purpose. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with the investment return available for operations. There were no net assets with donor restriction at June 30, 2023.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated are personnel expenses, which are allocated on the basis of estimates of time and effort; facilities and interest expenses and depreciation, which are allocated on a weighted-average square footage basis; and supplies and contracted services, which are allocated based on actual expenses incurred for each function.

HIS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Organization considers all highly liquid financial instruments with maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Cash and cash equivalents are exposed to credit risks. The Organization maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. To minimize risk, the Organization's cash accounts are placed with high credit quality financial institutions. The Organization regularly evaluates its depository arrangements. Cash exposed to credit risk totaled \$5,546,471 at June 30, 2023.

The Organization maintains its investments in an investment account protected up to \$500,000 by the Securities Investor Protection Corporation ("SIPC"). The \$500,000 protection is inclusive of up to \$250,000 protection for claims of cash. Coverage does not protect against a decline in the market value of securities, nor does coverage extend to certain securities that are ineligible for coverage.

Furniture and Equipment, net

Purchases of furniture and equipment in excess of \$5,000 or more (or fair value if contributed) and an estimated useful life of more than one year are capitalized. Depreciation is calculated using the straight-line method over the estimated useful life of the assets or lease terms, whichever is shorter. The estimated useful lives used to compute depreciation range from 3 to 10 years. Donated property and equipment are recorded at their estimated fair value at the date of donation.

Cost of major additions and improvements that extend the life of the asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Impairment of Long-Lived Assets

The Organization reviews its leasehold improvements and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the leasehold improvements and equipment are less than its carrying amount, management compares the carrying amount of the asset to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss, if any, is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2023.

Recognition of Revenues and Support

The Organization recognizes contributions when an unconditional promise to give is received. Conditional promises to give, with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions are recorded as with donor restrictions or without donor restrictions, depending on the existence or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restrictions on gifts to acquire long lived assets are considered met in the period in which the assets are acquired or placed into service.

HIS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Revenues and Support (Continued)

A portion of the Organization's revenue is derived from cost-reimbursable state and local grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses and are categorized as grants or contracts based upon management's determination of whether the transactions are reciprocal or non-reciprocal in nature. Amounts received are recognized as revenue when we have incurred expenditures or performed required services in compliance with specific contract or grant provisions. Amounts received in advance are reported as deferred revenue in the statement of financial position.

In-kind Contributions

In-kind contributions are recorded as revenue and expense in the accompanying statement of activities. In-kind contributions of donated non-cash assets are recorded at their fair value in the period received. They consist primarily of donated food, furniture, clothing, and supplies. Donated equipment, when applicable, is capitalized at its estimated fair value at the date of donation and depreciated over the estimated useful life of the asset. Donated services are recorded at their fair value in the period received. During the year ended June 30, 2023, the Organization received donated food, clothing and supplies in the amount of \$308,426.

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. See Note 8.

Managements Use of 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. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at June 30, 2023 and the reported amounts of revenue and expenses during the year then ended. Actual results could differ from those estimates.

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. Accordingly, no provision for income taxes is required for the Organization as of June 30, 2023.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Organization does not believe its financial statements include any uncertain tax positions. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2020.

Subsequent Events

Management has evaluated subsequent events through March 28, 2024, the date which the financial statements were available for issue.

HIS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 – GRANTS AND CONTRACTS RECEIVABLE

The Organization works as a provider under contracts in order to provide licensed foster care facilities for child placement at specified rates per day. Contract revenue on the statement of activities mainly consists of revenues under the Organization's agreement with Citrus Family Care Network (“Citrus”) and ChildNet, Inc. (“ChildNet”) totaling \$2,076,501 and \$2,746,080 respectively, during the year ended June 30, 2023 and are included as contract revenue in the statement of activities. Contract receivables from Citrus and ChildNet totaled \$215,030 and \$599,127, respectively, at June 30, 2023. The Contract receivables from Citrus and ChildNet totaled \$154,317 and \$233,616, respectively, at June 30, 2022. Periodically, management reviews contracts 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, 2023, the allowance for credit loss related to contract revenues was \$71,433.

The Organization entered into a grant agreement with the Office of Refugee Resettlement (“ORR”) for the care and placement of unaccompanied alien children. The current grant expires March 2023. During the year ended June 30, 2023, revenues under the ORR grant were \$16,214,062 and are included as grant revenue in the statement of activities. These revenues were recognized based on the Organization incurring qualifying expenditures. At June 30, 2022 grants receivables were \$1,621,554. At June 30, 2023 grants receivables were \$2,311,709 and were included on the statement of financial position, and represent amounts due from ORR under the grant agreement. As of June 30, 2023, management has determined that no allowance for credit loss was deemed necessary.

NOTE 4 – FAIR VALUE MEASUREMENTS

Accounting Standard Codification (ASC) 820 - Fair Value Measurement defines fair value and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC 820-10, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization have the ability to access.

Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability, used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market data, which requires management to develop its own assumptions.

For the valuation of certain corporate bonds and notes, other fixed income, common and preferred stocks, marketable and nonmarketable alternative funds, commodities, and money market and others at June 30, 2023 the Organization used quoted prices in principal active markets for identical assets as of valuation date (Level 1).

HIS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth the Organization's assets as of June 30, 2023 that is measured at fair value, segregated by level within the fair value hierarchy:

Description	Fair Value 6/30/2023	Quoted Prices		
		In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Other Unobservable Inputs Level 3
Asset Class				
Equity securities	\$ 690,749	\$ 690,749	\$ -	\$ -
Money market	62,041	62,041	-	-
Fixed income	520,764	520,764	-	-
	<u>1,273,554</u>	<u>1,273,554</u>	-	-
LESS: Liability class				
Options	5,986	5,986	-	-
Total	<u>\$1,267,568</u>	<u>\$ 1,267,568</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 - FURNITURE AND EQUIPMENT, NET

Furniture and equipment, net, at June 30, 2023 are summarized as follows:

Autos and trucks	\$ 816,827
Furniture and fixtures	10,500
Computer and office equipment	180,129
Property and equipment, gross	<u>1,007,456</u>
Less: accumulated depreciation	<u>(844,033)</u>
Property and equipment, net	<u>\$ 163,423</u>

NOTE 6 –COMMITMENTS AND CONTINGENCIES

Short-term lease

His House, Inc. signed an agreement with Miami-Dade County (“the County”) for use of buildings at the Community of Landmark for a one year term through July 2024 with an option to renew for an additional year. In March of 2022, the County notified the Organization that previously outstanding rent payments for the County portion of rent would be forgiven and future rent payments would be reduced to a monthly amount ranging from approximately \$50,000 to \$60,000 in light of the effects and impact of the Coronavirus. Total rent expense to the County for the period ended June 30, 2023 amounted to \$922,602.

Operating lease obligations

The Organization leases office equipment under a lease classified as operating leases in accordance with ASU 2016-02. The Organization recognizes the lease liability and right of use at the commencement date of the lease. The discount rate for the lease is the incremental borrowing rate of the Organization, 3%, and the lease expires in December of 2026.

HIS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 6 –COMMITMENTS AND CONTINGENCIES (Continued)

Finance lease obligations

The Organization leases vehicles under leases classified as financing leases in accordance with ASU 2016-02. The leased vehicles are depreciated on a straight-line basis over the lease term. Total accumulated depreciation related to the leased vehicles are approximately \$590,000 at June 30, 2023. The interest rates related to the capital lease obligations range 1.7% to 3.8%.

The following is a schedule showing the future minimum lease payments required under leases that have initial lease terms of one year or more as of June 30, 2023:

Years Ending June 30,	<u>Financing</u>	<u>Operating</u>
2024	\$ 54,468	\$21,634
2025	2,818	21,634
2026	-	10,817
Total minimum lease payments	<u>57,286</u>	<u>54,085</u>
Less: interest	699	2,371
Present value of net minimum lease payments	<u>\$ 56,587</u>	<u>\$51,714</u>

The weighted average lease term is 1.04 years, with a weighted average rate of 1.92%.

Grant 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.

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$10,350,628 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash of \$5,800,471, investments of \$1,267,568, and receivables of \$3,282,589. None of these available financial assets are subject to donor restrictions. However, the receivables are to be used for specific programs in the year 2023. The Organization monitors its liquidity in an effort to meet its operating needs and other contractual commitments while maximizing the investment of any excess operating cash.

HIS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 – CONTRIBUTED NON-FINANCIAL ASSETS

For the year ended June 30, 2023, contributed non-financial assets recognized within the statement of activities included:

Goods	\$	288,110
Services		<u>20,316</u>
	\$	<u>308,426</u>

Goods

The Organization receives donations of goods, such as clothing, personal hygiene, and other supplies to serve clients under various programs. The Organization recognized as contribution revenue along with a corresponding expense at an amount approximating fair value at the time of the donation.

Services

The Organization receives in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

SUPPLEMENTARY INFORMATION

HIS HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor-Program Title	Federal AL Number	Grant/ Contract number	Federal Expenditures
U.S. Department of Health and Human Services:			
Unaccompanied Alien Children Program			
Pass through Office of Refugee Resettlement:	93.676	90ZU051201 90ZU034003	\$ 16,214,062
Foster Care - Title IV-E Program			
Pass through Childnet, Inc.	93.658	HHC22PSA	728,480
Pass through Communities Connected for Kids	93.658	NA	2,790
Pass through Children's Network of Southwest Florida	93.658	SAT01	23,517
Program Total			<u>754,787</u>
Social Services Block Grant Program			
Pass through Communities Connected for Kids	93.667	NA	48,571
Pass through Childnet, Inc.	93.667	HHC22PSA	31,805
Program Total			<u>80,376</u>
Promoting Safe and Stable Families			
Pass through Childnet, Inc.	93.556	HHC22PSA	391,796
Temporary Assistance for Needy Families Program			
Pass through Childnet, Inc.	93.558	HHC22PSA	3,161
Adoption Assistance Program			
Pass through Childnet, Inc.	93.659	HHC22PSA	5,263
Stephanie Tubbs Jones Child Welfare Services Program			
Pass through Childnet, Inc.	93.645	HHC22PSA	854
Total U.S. Department of Health and Human Services:			\$ 17,450,299
TOTAL FEDERAL EXPENDITURES			\$ 17,450,299

See accompanying notes to this schedule.

HIS HOUSE, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023

State Grantor/Pass-Through Grantor-Program Title	State CSFA Number	Grant/ Contract number	State Expenditures
Florida Department of Children and Families:			
Out of Home Supports program			
Pass through Childnet, Inc.	60.074	HHC22PSA	1,589,268
Pass through Children's Network of SW Florida	60.074	SAT01	33,502
			1,622,770
Total Florida Department of Children and Families:			\$ 1,622,770
TOTAL STATE EXPENDITURES			\$ 1,622,770

See accompanying notes to this schedule.

HIS HOUSE, INC.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal Awards (the "Schedules") present the federal awards assistance project activity of His House, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2023. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.650, Rules of the Florida Auditor General, respectively. Because the Schedules present only a selected portion of the Organization, they are not intended to and do not present the financial position, changes in net assets, or cash flows of the Organization.

The Organization had no federally funded insurance programs or loan guarantees during the year ended June 30, 2023.

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, as applicable, either the cost principles contained in the Uniform Guidance and Chapter 10.650, Rules of the Florida Auditor General wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Organization has elected not to use the ten percent de minimus indirect cost rate allowed under the Uniform Guidance.



**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***

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

We have audited, 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, the financial statements of His House, Inc., (the "Organization") (a nonprofit Organization), which comprise the statement of financial position as of June 30, 2023, 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 have issued our report thereon dated March 28, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the auditing 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 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 our audit we did not identify any deficiencies in internal control that we consider 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 compliance. The 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
March 28, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE FLORIDA AUDITOR GENERAL

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

Report on Compliance for Each Major Federal Program and Major State Project

Opinion on Each Major Federal Program and Major State Project

We have audited the His House, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program and Major State Project

We conducted our 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), and Chapter 10.650, Rules of the Florida Auditor General. Our responsibilities under those standards, Uniform Guidance and Chapter 10.650, Rules of the Auditor General are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs and state projects.

Auditor's Responsibilities for Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, Uniform Guidance, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, Uniform Guidance, and Chapter 10.650, Rules of the Florida Auditor General we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, and Chapter 10.650 Rules of the Florida Auditor General but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 our 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 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 to test and report on internal control over compliance in accordance with the Uniform Guidance, and Chapter 10.650 Rules of the Florida 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 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 will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 we consider 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 the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
March 28, 2024

**HIS HOUSE, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FEDERAL PROGRAMS AND STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2023**

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? yes no
- Significant deficiency(ies) identified? yes none reported
- Non-compliance material to financial statements noted? yes no

Federal Programs

Type of auditor's report issued on compliance for major programs: *Unmodified*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or Chapter 10.650, Rules of the Florida Auditor General? yes no

Identification of major programs:

<u>Federal Program/State Project or Cluster</u>	<u>ALN/CSFA Number</u>	<u>Amount</u>
Federal Program:		
Unaccompanied Alien Children Program	93.676	\$16,214,062
State Project:		
Out of Home Supports Program	60.074	\$1,622,770
Dollar threshold used to distinguish between Type A and Type B programs for Federal Awards:	\$750,000	
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no	
Dollar threshold used to distinguish between Type A and Type B programs for State Financial Assistance:	\$750,000	

**HIS HOUSE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

SECTION III - FINDINGS - FEDERAL AND STATE FINDINGS AND QUESTIONS COSTS

CURRENT YEAR FINDINGS

None

SECTION IV – OTHER

1. A separate management letter was issued for the year ended June 30, 2023 dated March 28, 2024.
2. No summary Schedule of Prior Audit Findings is required because there were no prior audit findings relating to Federal Award Programs or state financial assistance projects.
3. No corrective action plan is required because there were no findings required to be reported under Federal OMB Circular Compliance Supplement.