

**HABITAT FOR HUMANITY OF
PALM BEACH COUNTY, INC.**

REPORT TO MANAGEMENT

June 30, 2007



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Palm Beach County, Inc.
West Palm Beach, Florida

We have audited the accompanying statement of financial position of Habitat for Humanity of Palm Beach County, Inc. (a not-for-profit organization) as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Palm Beach County, Inc. as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
November 20, 2007

HABITAT FOR HUMANITY OF PALM BEACH COUNTY, INC.
INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS
 June 30, 2007

PRIOR YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS

	<u>STILL APPLICABLE</u>	<u>IMPLEMENTED OR NO LONGER RELEVANT</u>
The absence of appropriate reviews and approval of transactions, accounting entries or systems output.		X
Absence of controls considered appropriate for the type and level of transaction activity.		X
Evidence of related party transactions.		X

CURRENT YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS

Organizational Structure:

The size of The Habitat for Humanity of Palm Beach County, Inc.'s accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain involved in the financial affairs of Habitat for Humanity of Palm Beach County, Inc. to provide oversight and independent review functions.

Include Authorization of the Current Wage Rate in Personnel Files:

We recommend that employees' personnel files include an authorization of the current wage rate. In addition, written authorization for pay rate changes should be maintained in the personnel file. Management should periodically review the payroll master file and compare pay rates to the authorized rates contained in personnel files to determine that the current rates are appropriate. In addition, on a regular basis, the appropriate level of management should determine that the current pay rates agree with approved rates.