Holyfield & Thomas, LLC
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To the Board of Directors and Management of
Adopt-A-Family
of the Palm Beaches, Inc.
Lake Worth, Florida

In planning and performing our audit of the consolidated financial statements of Adopt-A-Family of the Palm Beaches, Inc. (the "Organization") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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.

Definitions Related to Internal Control Deficiencies

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 Responsibilities

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed in the following pages, we identified other matters for further consideration, and provide the current status of comments made in the previous letter to management.

Identified matters for further consideration:

Journal Entries

During the course of our audit, management was still in the process of reconciling various asset and liability accounts. As a result, management provided 15 journal entries that were added after the initial trial balance was received. These journal entries were necessary in order to properly capitalize fixed assets, correct accounts receivable, reconcile accounts payable, and recognize contributions that were originally recorded as deferred revenue.

The effect of such entries was to increase the change in net assets by approximately $158,000. We understand that due to the turn-over in the accounting department various asset and liability accounts were not fully prepared for audit as soon as originally projected. With the addition of the new CFO, we believe that the review and evaluation of transactions and proper monthly closing procedures will expedite the year-end closing process and promote an efficient audit process.

> *Management's Response*: Management concurs with the assessment of the new CFO. Since her appointment, monthly closing procedures have been revised. Reviews, required evaluations and internal controls have been evaluated and reengineered, resulting in improved processes and internal controls over financial reporting.

Employee Bonuses

During the current audit, we noted two executive level employees received bonus payments in advance of the rest of the organization. There was no documentation regarding authorization of the timeliness of the two bonus payouts. We recommend the organization maintain documentation in the applicable personnel records regarding approval of the amount and the timing of the bonus payout.

> *Management's Response*: In addition to enhancing comprehensive controls over payroll, the Board of Directors Executive Committee now approves bonus payouts for the entire Organization.

PRIOR YEAR COMMENTS

Reconcile and Monitor Accounts Receivable and Accounts Payable - Significant Deficiency

In connection with staff turnover in the accounting department and a significant increase in the accounting and reporting activity of the NSP2 program, the Organization encountered a situation where management was not able to reconcile or fully monitor the grants receivable and accounts payable accounts on a recurring basis. As a result, management was not able to detect that the collection of various payments were recorded as increase in accounts payable instead of as a reduction of receivables. Also, some grant revenues that were originally recorded based on estimated figures, were not adjusted to the actual amount, and some expenditures related to various programs were not recorded as expenses.

We recommended that management implement procedures to reconcile and monitor its grants receivable and accounts payable on a monthly basis and make any corrections deemed necessary in a timely manner.

> *__Status__*: Management has implemented procedures to properly reconcile and monitor its grants receivable and accounts payable sub-ledgers. No such issues were noted as of June 30, 2013.

__Employee Loan Receivables__ - Other Matter

During our analysis of accounts payable (see comment above) we noted that various advances to employees were recorded as a liability instead of as a receivable. We believed that the Organization could improve its accounting records by establishing certain new accounts to record transactions between the Organization and its employees and to identify those transactions with related parties (e.g. officers and key employees). Separate accounts for employees and related-party receivables would aid in determining that such transactions have been properly recorded on the books and properly disclosed in the financial statements.

> *__Status__*: As of June 30, 2013, there were no outstanding balances on employee loans or any other related party transactions. Furthermore, the Organization no longer permits employee loans.

* * *

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

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Holyfield & Thomas, LLC

West Palm Beach, FL
February 7, 2014

ADOPT-A-FAMILY
OF THE PALM BEACHES, INC.

REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2013
(with comparable totals for 2012)

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Adopt-A-Family
of the Palm Beaches, Inc.
Lake Worth, Florida

We have audited the accompanying consolidated financial statements of Adopt-A-Family of the Palm Beaches, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Adopt-A-Family of the Palm Beaches, Inc. as of June 30, 2013, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. In addition, the consolidated schedule of program expenses is presented for purposes of additional analysis, and is not a required part of the basic consolidated financial statements. The schedule of expenditures of federal awards and consolidated schedule of program expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 February 7, 2014, on our consideration of Adopt-A-Family of the Palm Beaches, 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 Adopt-A-Family of the Palm Beaches, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the June 30, 2012 financial statements, and our report dated March 6, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
February 7, 2014

ADOPT-A-FAMILY OF THE PALM BEACHES, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2013 ***(with comparable totals for 2012)***

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents - unrestricted	$ 369,811	$ 242,711
Cash and cash equivalents - restricted	222,378	162,953
Grants and allocations receivable	569,146	393,274
Contributions receivable, net	12,945	17,036
Employee loans receivable	-	15,600
Prepaid expenses	51,027	52,861
Total current assets	1,225,307	884,435
Other assets	6,768	6,768
Property and equipment, net	4,590,854	2,839,777
Community land trust, net	1,952,328	2,024,634
Neighborhood stabilization program 2	146,500	2,778,702
Total assets	$ 7,921,757	$ 8,534,316
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 87,608	$ 99,823
Accrued expenses	91,172	74,360
Refundable advances	51,000	-
Resident deposits and escrow accounts	101,918	75,931
Line of credit	325,000	350,000
Current portion of obligation under capital lease	19,800	18,150
Current portion of loan payable	8,742	9,334
Total current liabilities	685,240	627,598
Non-current liabilities:		
Obligation under capital lease	31,350	51,150
Loan payable	198,247	207,800
Total liabilities	914,837	886,548
Net assets:		
Unrestricted:		
Equity in fixed assets	2,445,834	2,553,343
Equity in community land trust	1,627,328	1,674,634
Designated for contingencies	80,000	80,000
Undesignated	672,766	411,618
Total unrestricted	4,825,928	4,719,595
Temporarily restricted	2,180,992	2,928,173
Total net assets	7,006,920	7,647,768
Total liabilities and net assets	$ 7,921,757	$ 8,534,316

See accompanying notes to financial statements.

For the Year Ended June 30, 2013 ***(with comparable totals for 2012)***

	Unrestricted	Temporarily Restricted	2013 Totals	2012 Totals
Support and revenue:				
Grants and donations:				
Governmental grants	$ 2,772,727	$ 772,302	$ 3,545,029	$ 5,783,736
United Way allocations	28,457	410,160	438,617	425,412
Contributions	368,880	487,403	856,283	567,563
In-kind donations	38,493	-	38,493	40,182
Total grants and donations	3,208,557	1,669,865	4,878,422	6,816,893
Special events	531,560	-	531,560	547,176
Rents	367,754	-	367,754	247,255
Other Income	39,224	-	39,224	10,091
Grow Tuition	13,539	-	13,539	5,319
Investment Income	-	-	-	367
Total support and revenue	4,160,634	1,669,865	5,830,499	7,627,101
Net assets released from restriction	2,417,046	(2,417,046)	-	-
Expenses:				
Program services	5,691,806	-	5,691,806	5,623,262
General and administrative	347,378	-	347,378	221,095
Fundraising	432,163	-	432,163	419,399
Total expenses	6,471,347	-	6,471,347	6,263,756
Change in net assets	106,333	(747,181)	(640,848)	1,363,345
Net assets, beginning of year	4,719,595	2,928,173	7,647,768	6,284,423
Net assets, end of year	$ 4,825,928	$ 2,180,992	$ 7,006,920	$ 7,647,768

See accompanying notes to financial statements.

ADOPT-A-FAMILY OF THE PALM BEACHES, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013 ***(with comparable totals for 2012)***

	2013	2012
Cash flows from operating activities:		
Cash received from grants and donations	$ 3,946,846	$ 2,489,859
Cash received from special events, net	365,673	392,965
Cash received from rents and tuition	381,293	252,574
Cash received from sale of properties	709,714	186,589
Cash paid to suppliers and employees	(5,126,036)	(3,171,201)
Other income received	39,224	10,458
Interest expense paid	(26,269)	(25,511)
Net cash used in operating activities	290,445	135,733
Cash flows from investing activities:		
Purchase of property and equipment	(92,212)	(72,385)
Advances to employee	-	(20,000)
Receipts from employee	15,600	5,000
Net cash provided by investing activities	(76,612)	(87,385)
Cash flows from financing activities:		
Payments on line of credit	(25,000)	-
Change in resident deposits and escrow accounts	25,987	26,603
Principal payments on obligation under capital lease	(18,150)	(21,450)
Principal payments of loans payable	(10,145)	(6,875)
Net cash used in financing activities	(27,308)	(1,722)
Change in cash and cash equivalents	186,525	46,626
Cash and cash equivalents, beginning	405,664	359,038
Cash and cash equivalents, ending	592,189	405,664
Cash and cash equivalents - restricted	(222,378)	(162,953)
Cash and cash equivalents - unrestricted	$ 369,811	$ 242,711

See accompanying notes to financial statements.

	2013	2012
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	$ (640,848)	$ 1,363,345
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	373,486	302,014
Donated assets	(9,408)	-
Bad debt expense	-	11,681
Forgiveness of loan payable (Palm Beach County)	-	(372,452)
Neighborhood stabilization program 2:		
Property contributed	(772,302)	(3,727,668)
Property adjustment to fair value	744,153	2,486,459
Proceeds from sale of properties	709,714	186,589
(Increase) decrease in certain assets:		
Grants and allocations receivable	(175,872)	(10,816)
Contributions receivable	4,091	(15,797)
Prepaid expenses	1,834	2,463
Increase (decrease) in certain liabilities:		
Accounts payable	(12,215)	51,578
Accrued expenses	16,812	12,477
Refundable advances	51,000	(154,140)
Net cash used in operating activities	$ 290,445	$ 135,733

See accompanying notes to financial statements.

ADOPT-A-FAMILY OF THE PALM BEACHES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2013 ***(with comparable totals for 2012)***

	Program Services	Management and General	Fundraising	2013 Totals	2012 Totals
Salaries	$ 1,436,316	$ 194,892	$ 178,900	$ 1,810,108	$ 1,289,230
Employee benefits	273,843	29,278	24,279	327,400	197,972
Payroll taxes	130,492	14,770	14,029	159,291	117,517
	1,840,651	238,940	217,208	2,296,799	1,604,719
Advertising and recruitment	731	1,261	4,700	6,692	598
Building maintenance	134,275	7,436	3,496	145,207	105,158
Direct fundraising costs	-	-	165,887	165,887	154,211
Equipment rental and purchases	15,126	7,105	1,150	23,381	3,320
Food service	11,191	83	-	11,274	17,428
Insurance expense	105,239	8,496	10,259	123,994	105,599
Interest expense	11,422	14,847	-	26,269	25,511
Membership dues	2,757	2,515	1,309	6,581	5,645
NSP2 expenses	1,453,867	-	-	1,453,867	2,673,048
Office supplies	15,865	2,554	1,306	19,725	15,984
Other expenses	9,426	26,546	95	36,067	24,589
Postage	2,790	200	316	3,306	2,884
Printing	1,414	98	463	1,975	1,333
Professional fees	74,776	14,669	11,652	101,097	93,692
Program supplies	15,201	28	-	15,229	5,776
Property and sales tax	25,102	326	291	25,719	16,403
Rent	510	120	-	630	1,353
Specific assistance	1,430,992	-	-	1,430,992	923,797
Telephone	30,624	3,260	4,485	38,369	34,176
Training and development	12,212	8,109	1,633	21,954	11,081
Travel and transportation	15,809	2,606	1,366	19,781	19,312
Utilities	118,621	1,773	2,672	123,066	116,125
	5,328,601	340,972	428,288	6,097,861	5,961,742
Depreciation	363,205	6,406	3,875	373,486	302,014
Total expenses	$ 5,691,806	$ 347,378	$ 432,163	$ 6,471,347	$ 6,263,756

See accompanying notes to financial statements.

1. Business and Summary of Significant Accounting Policies

Presentation

The accompanying financial statements reflect the consolidated financial statements of Adopt-A-Family of the Palm Beaches, Inc. (“AAF”) and LW NSP2, LLC (“LLC”) (collectively the "Organization"). All significant inter-organization accounts and transactions have been eliminated.

Organization

Adopt-A-Family of the Palm Beaches, Inc. was incorporated in November 1984, as a not-for-profit corporation under Florida law. AAF is a non-profit 501(c)(3) organization dedicated to restoring families in crisis to stability and self-sufficiency by providing access to all-encompassing services to families and their children. LW NSP2, LLC was incorporated in December 2010, as a single member LLC with AAF as the only member. The LLC owns and operates various rental properties under the Neighborhood Stabilization Program 2. Some of the programs offered by the Organization include:

Project GROW

Project GROW is the agency’s licensed afterschool/out-of-school program serving children ages five to twelve. Most children attending are formerly homeless and reside in one of the agency’s housing programs. The program is customized to meet the unique needs of formerly homeless children and focuses on building the children’s social, emotional, and educational skills.

A Place Called Home (A.P.C.H.)

A Place Called Home is a permanent supportive housing program for homeless families funded by the U.S. Department of Housing and Urban Development (HUD). The program offers scattered site housing in Lake Worth to homeless families living with a disability. The program offers intensive case management and supportive services to all residents.

Bridges to Success

Bridges to Success is a permanent supportive housing program for homeless families funded by HUD. The program offers scattered site housing in western Palm Beach County to homeless families living with a disability. The program offers intensive case management and supportive services to all residents and is one of the only options for homeless families residing in Belle Glade, Pahokee, and others areas in western Palm Beach County. This is a collaborative program with other not-for-profit agencies for residents in Palm Beach County.

Project S.A.F.E. (Stable, Able, Family Environment)

Project SAFE is a permanent supportive housing program for homeless families funded by HUD. The program consists of 32 units of agency-owned housing and is currently the largest permanent housing program for homeless families in Palm Beach County. The program offers intensive case management and supportive services to all residents.

1. __Business and Summary of Significant Accounting Policies__, continued

Organization, continued

Service Enriched Housing (S.E.H.)

The Service Enriched Housing program offers housing to low-income families who are on the path to home ownership. The program consists of 28 two-bedroom apartment units located adjacent to the Family Resource Center. Rent is based on 30% of the family's income. The Organization captures the first $500 as the base rent, all additional funds are placed in escrow and are used for credit repair, home ownership activities, and general wealth building.

Housing Stabilization Program

The Housing Stabilization Program provides homeless prevention services to families who are at imminent risk of becoming homeless. Families receive case management, financial assistance, and other supportive services to help them remain in their home.

Senator Philip D. Lewis Homeless Resource Center (HRC)

The Organization is a partner agency of Palm Beach County's homeless resource center (HRC) opened in 2012. The HRC serves as Palm Beach County's "front door" for access to homeless services. The Organization operates the family division and provides homeless families with assessments, case management, health care, access to mainstream resources, vital shelter and housing services, and permanent housing.

Neighborhood Stabilization Program 2 (NSP2)

The Organization, in partnership with the Lake Worth Community Redevelopment Agency (CRA), was one of 56 awardees in 2010 to be awarded funding through HUD's NSP2 funding competition. The goal of the program is to stabilize neighborhoods through the acquisition and rehabilitation of foreclosed properties. The Organization rehabbed and constructed a total of forty-one housing units in the City of Lake Worth as a result of this opportunity. As of June 30, 2013, a total of fifteen units were sold to income-qualified households, while two units remained available for sale, and twenty-four units were retained by the Organization to be used as rental properties for low-income families.

Community Land Trust Program/Wiley Reynolds Apartments

The Organization's Community Land Trust Program combined with the Organization's Wiley Reynolds Apartments provides affordable home ownership and rental opportunities to income qualified households. Home ownership opportunities use a land lease model in which the Organization retains ownership of the land while the purchaser owns the improvements. This permits the improvements to be sold at a reduced rate. Rental opportunities primarily consist of the nine-unit Wiley Reynolds Gardens apartments. The units were constructed in 2008 and offer low-income and homeless families housing that is priced below 50% of the fair market rent rates.

1. <u>Business and Summary of Significant Accounting Policies</u>, continued

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Consolidated Financial Statement Presentation

The Organization has adopted FASB Accounting Standard Codification (FASB ASC) 958-205. Under the standard, the Organization is required to report information regarding its activities according to three classifications of net assets: unrestricted, temporarily restricted, and permanently restricted.

The following paragraphs describe the three classes of net assets:

<u>Unrestricted Net Assets:</u> this classification includes 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 transaction (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted by class.

<u>Temporarily Restricted Net Assets</u>: this classification includes those net assets whose use by the Organization has been limited by donors to either later periods of time, or after specified dates, or for a specified purpose.

<u>Permanently Restricted Net Assets</u>: this classification includes those net assets that must be maintained by the Organization in perpetuity. Permanently restricted net assets increase when the Organization receives contributions for which donor-imposed restrictions limiting the Organization's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Organization meeting certain requirements. The Organization had no permanently restricted net assets as of June 30, 2013.

Estimates

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

Comparative Financial Statement Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived. Certain 2012 amounts have been reclassified to conform to 2013 classifications. Such reclassifications had no effect on the change in net assets as previously reported.

1. Business and Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

The Organization follows FASB ASC 820-10, *Fair Value Measurements and Disclosures*, which provides a common definition of fair value, establishes a framework to measure fair value within accounting principles generally accepted in the United States of America, and expands the disclosures about fair value measurements. The standard does not create any new fair value measurements. Instead, it applies under existing accounting pronouncements that require or permit fair value measurements.

For assets and liabilities measured at fair value on a recurring basis, entities should disclose information that allows financial statement users to assess (1) the inputs used to develop such measurements, such as Level 1 (i.e., quoted price in an active market for an identical asset or liability), Level 2 (i.e., quoted price for similar assets or liabilities in active markets), or Level 3 (i.e., unobservable inputs); and (2) the effect on changes in net assets of recurring measurements that use significant unobservable (Level 3) inputs. The Organization's did not have financial instruments measured at fair value on a recurring basis.

The following methods and assumptions were used by the Organization in estimating fair value of financial instruments that are not disclosed under ASC 820-10.

Cash and Cash Equivalents: The carrying amount reported approximates fair value.

Grants and Allocations, Contributions, and Employee Loans Receivable: The carrying amount approximates fair value due to the short term of the receivables.

Neighborhood Stabilization Program 2: Carrying at lower of cost or market based on the appraised values performed on each unit.

Accounts Payable and Accrued Expenses: The carrying amount reported approximates fair value due to the short term duration of the instruments.

Capital Lease and Loans Payable: The carrying amount reported approximates fair value as the stated interest rates approximate market rates.

Cash and Cash Equivalents

Cash and cash equivalents include checking, savings, money market accounts, and petty cash. The Organization also considers short-term investments with a maturity of three months or less when purchased to be cash equivalents.

Grants and Allocations Receivable

Grants receivable are recorded when services have been rendered. If events or changes in circumstances indicate that specific receivable balances may be disallowed by the granting authority, the receivable balances are written-off as an operating expense. Allocations receivable that are unconditional are recorded at the time of receipt.

1. <u>Business and Summary of Significant Accounting Policies</u>, continued

Promises to Give

Unconditional promises to give are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give noncash assets that are expected to be received in future years are recorded at the present value of the expected fair value of the underlying noncash assets expected to be received. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Any changes in the expected fair value of underlying noncash assets are reported as increases and decreases in contribution revenue in the period the change occurs. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Acquisitions of property and equipment in excess of $1,500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Donations of property and equipment are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, ranging from 3 to 39 years.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Resident Deposits and Escrow Accounts

In connection with its various housing programs, the Organization receives and maintains deposits on rent and escrow funds for residents to be later returned to them or recorded as revenue.

Accrued Absences

Employees may accumulate unused vacation based upon the length of service. Accumulated vacation is payable to eligible employees upon termination or retirement at the current rate of pay, if employed more than 90 days. Accumulated unpaid vacation is accrued as a liability and charged to expense as incurred.

Refundable Advances

The Organization has reimbursement arrangements with various grantors whereby the Organization receives funds ahead of the expenditure. In accordance with the terms of these arrangements, any funds that are not spent within the contract period must be refunded to the grantors.

1. __Business and Summary of Significant Accounting Policies__, continued

Revenue Recognition

The Organization receives various grants from federal, local, and private agencies for program and supporting service expenses. These grants are generally on a cost reimbursement basis, including recoverable overhead. Revenues from grants are deemed earned and recognized in the Consolidated Statement of Activities when expenditures are made for the purpose specified. Funds that have been received but have not yet been expended for the purpose specified are reported as temporarily restricted revenue or refundable advance, as applicable.

Grants which are not awarded on a cost reimbursement basis are recorded as support in the year for which the grant was awarded and in which the conditions to the grant are met.

Support and Revenue

Support is recognized as an increase in net assets when promised, and revenue is recognized when earned.

In-Kind Donations

The Organization records various types of in-kind support including contributed professional services and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The total amount of donated goods during the year ended June 30, 2013, amounted to approximately $38,500. This amount is recognized as both revenue, under the caption of in-kind donations, and as various expenses in the Consolidated Statement of Activities and Consolidated Statement of Functional Expenses. There were no significant contributions of professional services for the year ended June 30, 2013.

In addition, the Organization relies on volunteers who donate significant time in the advancement of its goals; however, such services do not meet the criteria for financial statement recognition and are therefore not included herein.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and according to natural classification in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense for the year ended June 30, 2013, amounted to approximately $5,900.

1. Business and Summary of Significant Accounting Policies, continued

Income Taxes

Adopt-A-Family of the Palm Beaches, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. LW NSP2, LLC is a single member LLC and is treated as a disregarded entity for income tax purposes. Therefore, no provision for income taxes has been made in these consolidated financial statements. In addition, AAF qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization follows FASB ASC 740-10-00, "Accounting for Uncertainty in Income Taxes." This pronouncement seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Organization assesses its income tax positions based on management's evaluation of the facts, circumstances and information available at the reporting date. The Organization uses the prescribed more likely than not threshold when making its assessment. The Organization has not accrued any interest expense or penalties related to tax positions for the year ended June 30, 2013, and there are currently no open Federal or State tax years under audit.

2. Grants and Allocations Receivable

A summary of grants and allocations receivable as of June 30, 2013 is as follows:

Palm Beach County	$ 314,723
Family Central	13,957
Housing and Urban Development (HUD)	100,776
Town of Palm Beach United Way	133,900
Lake Worth CRA (NSP2)	5,790
Total grants and allocations receivable	$ 569,146

Management believes that grants and allocation receivable are fully collectible in less than one year and, therefore, no allowance for uncollectible receivables was considered necessary.

3. Contributions Receivable

Contributions are recognized in the period an unconditional promise to give is received. Contributions receivable are recorded at face value if due in less than one year, or at net realizable value, discounted as appropriate to reflect the estimated timing of receipt for contributions, if due more than one year after the date of receipt. As of June 30, 2013 all remaining balances are expected to be collected in less than one year. The allowance for uncollectible contributions receivable is determined based on management's estimate of what will be collected.

3. Contributions Receivable, continued

The following is a summary of contributions receivable as of June 30, 2013:

Contributions receivable	$ 14,925
Allowance for uncollectible amounts	(1,980)
Net contributions receivable	$ 12,945

4. Employee Loans Receivable

Employee loans receivable consisted of advances made to employees. As permitted by the Organization's current policy, such advances are available on an unsecured basis, with no stated interest rate, and are repaid through payroll deduction. Repayment in full is required with separation of service. As of June 30, 2013, there were no outstanding balances on employee loans.

5. Property and Equipment

Details of the Organization's property and equipment as of June 30, 2013, are as follows:

Land	$ 786,549
Buildings	5,637,960
Building improvements	212,087
Equipment	424,989
Equipment under capital lease	103,950
Motor vehicles	140,677
	7,306,212
Less accumulated depreciation	2,715,358
Net property and equipment	$ 4,590,854

6. Community Land Trust Program/Wiley Reynolds Apartments

The Organization is operating a Community Land Trust (CLT) program that was established in order to make housing available to residents who cannot otherwise afford it while providing benefits to the local community. The land is held permanently by the Organization to ensure perpetual affordability; however, the homes are owned by those who live in them.

When the Organization sells a home, it leases the underlying land to the homeowners through a long-term (i.e., 99-year) renewable lease, and retains a right of first refusal to buy back the building.

During 2006, the Organization received a vacant lot donated by the City of Lake Worth located at 505 North K Street. During 2008, the Organization completed the construction of a single-family residence at a total cost of $196,454.

6. Community Land Trust Program/Wiley Reynolds Apartments, continued

During 2007, the Organization purchased another vacant lot for approximately $100,000 located at 1715 3rd Ave North. The lot remains vacant.

During 2009, the Organization completed the construction of a nine-unit apartment complex located at 1736 2nd Avenue, named Wiley Reynolds Apartments, which was added to the CLT. The construction was partially funded by a Homeless Assistance Housing Grant, which requires that the units be reserved for homeless use for a minimum of ten years from the time of occupancy. The Organization is currently renting these units to low-income and homeless families.

The unrestricted net assets designated for the CLT as of June 30, 2013, consisted of the following:

Land	$ 296,669
Building	1,968,238
	2,264,907
Less accumulated depreciation	312,579
Total designated for CLT	$ 1,952,328

7. Neighborhood Stabilization Program 2 (NSP2)

The Organization, in partnership with the Lake Worth Community Redevelopment Agency, (CRA) was one of only 56 awardees of the U.S. Department of Housing and Urban Development's Neighborhood Stabilization Program 2 (NSP2) national grant competition.

Since 2010, the Organization has purchased and rehabilitated forty-one units of affordable housing. As of June 30, 2013, a total of fifteen units were sold to income-qualified households, while two units remained available for sale, and twenty-four units were retained by the Organization to be used as rentals for low-income families. In accordance with NSP2 guidelines, the units sold are deed restricted, protecting their affordability for a minimum of 15 years from the date of purchase. The rental units are deed restricted, protecting their affordability, for 20 years from the date of completion of construction.

The total cost of the properties reported to the Organization by the CRA during the year amounted to $772,302. This amount consisted of improvement cost incurred on properties during the year ended June 30, 2013, and is made part of NSP2 under property and equipment on the Consolidated Statement of Financial Position.

The Organization also recorded a valuation adjustment during the current year for the properties owned under the NSP2 program. Properties classified as available for sale are reported at lower of cost or market as of June 30, 2013, and adjusted to their estimated fair value. Rental properties, which are evaluated for impairment, were also adjusted to fair value as of June 30, 2013. The total adjustment made during the year amounted to $744,153, and is recognized as an expense within the caption NSP2 expenses in the Consolidated Statement of Functional Expenses.

7. Neighborhood Stabilization Program 2 (NSP2), continued

In addition, during the year ended June 30, 2013, the Organization sold fifteen units owned under the NSP2 program for a total of $709,714.

The temporarily restricted net assets under the NSP2 program as of June 30, 2013, consisted of the following:

Available for sale (2 units)	$ 146,500
Rental properties (24 units)	1,950,637
Less accumulated depreciation	63,756
Rental properties, net	$ 1,886,881
Total NSP2 properties	$ 2,033,381

Rental properties owned under the NSP2 program are included in the Statement of Financial Position under the caption of property and equipment.

8. Line of Credit

The Organization has a $350,000 line of credit with PNC Bank (Bank) that is collateralized by land, buildings, and improvements at 1712 2nd Avenue and 1717 3rd Avenue North. Interest is paid monthly at the Bank's prime rate, which was 3.25% as of June 30, 2013. The amount outstanding under the line of credit as of June 30, 2013 was $325,000.

9. Capital Lease

The Organization leases certain equipment under a capital lease that expires in January 2016. The assets and liabilities under the capital lease were recorded at the lower of the present value of minimum lease payments or the fair value of the assets. The assets were amortized over the lower of their lease terms or their estimated useful lives. Amortization of equipment under capital lease is included in depreciation expense in the accompanying consolidated financial statements. Depreciation of assets under capital leases charged to expense during the year ended June 30, 2013 was $20,790.

9. Capital Lease, continued

Minimum future lease payments under capital lease as of June 30, 2013 for each of the next five years and in the aggregate are:

Year	Amount
2014	$ 19,800
2015	19,800
2016	11,550
Total obligation under capital lease	51,150
Less current portion	19,800
Long-term portion	$ 31,350

10. Loan Payable

The following is a schedule of the Organization's loan payable:

Mortgage note payable to PNC Bank that is collateralized by land, buildings, and improvements at 1712 2nd Avenue, with interest rate adjusted annually, 5.95% as of June 30, 2013. The note requires monthly payments of principal and interest until June 30, 2028.	206,989
Less current portion	8,742
Long-term portion	$ 198,247

The approximate future maturities of these installment obligations are as follows:

Year	Amount
2014	$ 8,742
2015	9,276
2016	9,844
2017	10,445
2018	11,084
Thereafter	157,598
	$ 206,989

11. Restriction on Net Assets

Unexpended temporarily restricted net assets are restricted for the following purposes as of June 30, 2013:

Housing Stabilization Program	$ 89,610
Project Grow	31,930
Service Enriched Housing	12,360
NSP2	2,033,381
Holiday/Season-to-Share	13,711
Total temporarily restricted net assets	$ 2,180,992

12. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses or purchasing assets satisfying the restricted purposes. Satisfaction of program restrictions for the year ended June 30, 2013 are as follows:

Housing Stabilization Program	$ 466,685
Project Safe	162,775
Project Grow	212,003
Service Enriched Housing	37,000
NSP2	1,532,623
Holiday/Season-to-Share	5,960
Total net assets released from restrictions	$ 2,417,046

13. Special Events

The Organization sponsored several special events during the year. Special event revenues and expenses for the year ended June 30, 2013 were as follows:

	Revenues	Direct Expenses	Net
Tree Lighting	$ 336,070	$ 53,667	$ 282,403
Duck Derby	47,906	18,505	29,401
Season to Share	-	5,760	(5,760)
Golf Tournament	63,166	26,180	36,986
Others	84,418	61,775	22,643
Total	$ 531,560	$ 165,887	$ 365,673

14. Employee Tax Sheltered Retirement Plan and Other Employee Benefits

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code. All employees are eligible to participate upon completion of one hour of service. Under the plan, employees may contribute a specified percentage of their salary or a fixed dollar amount to the plan. The Organization contributes a discretionary amount to the plan. For the year ended June 30, 2013, the discretionary amount was defined as 2% of an eligible employee's annual salary, once the employee had completed one year of service. The Organization's contribution to the plan for the year ended June 30, 2013 was $22,097.

15. Concentrations

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of June 30, 2013, there was approximately $234,000 of uninsured deposits held in bank. The Organization has not experienced any losses on such accounts and management believes the Organization is not exposed to any significant credit risk arising from such balances.

16. Related Party Transactions

During the year ended June 30, 2012, the Organization advanced $20,000 in loans to two of its officers. These loans, which were unsecured and had no stated interest rate, were being re-paid through payroll deduction and were paid-off as of June 30, 2013.

17. Subsequent Events

Management has evaluated subsequent events through February 7, 2014, the date on which the consolidated financial statements were available to be issued, and determined the following additional disclosure was required to be presented in these consolidated financial statements.

In January 2014, the Organization received approximately $833,000 in program income from the Lake Worth Community Redevelopment Agency. These funds represent the proceeds due the Agency from the CRA as a result of the sale of 17 newly constructed/rehabbed NSP2 homes, as denoted in Note 7. The funds are required to be maintained in a revolving loan account to be used solely for NSP2 program purposes in the NSP2 targeted geographical area.

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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 *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Adopt-A-Family
of the Palm Beaches, Inc.
Lake Worth, Florida

We have audited the consolidated financial statements of Adopt-A-Family of the Palm Beaches, Inc., as of and for the year ended June 30, 2013, and have issued our report thereon dated February 7, 2014. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adopt-A-Family of the Palm Beaches, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Adopt-A-Family of the Palm Beaches, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Adopt-A-Family of the Palm Beaches, Inc.'s internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adopt-A-Family of the Palm Beaches, Inc.'s consolidated 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 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 our 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*.

We noted certain matters that we reported to management of Adopt-A-Family of the Palm Beaches, Inc. in a separate letter dated February 7, 2014.

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

Holyfield & Thomas, LLC

West Palm Beach, Florida
February 7, 2014

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Adopt-A-Family
of the Palm Beaches, Inc.
Lake Worth, Florida

Report on Compliance for Each Major Federal Program

We have audited Adopt-A-Family of the Palm Beaches, Inc.'s compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Adopt-A-Family of the Palm Beaches, Inc.'s major federal programs for the year ended June 30, 2013. Adopt-A-Family of the Palm Beaches, Inc.'s major federal programs 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Adopt-A-Family of the Palm Beaches, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 occurred. An audit includes examining, on a test basis, evidence about Adopt-A-Family of the Palm Beaches, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Adopt-A-Family of the Palm Beaches, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Adopt-A-Family of the Palm Beaches, Inc. 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, 2013.

Report on Internal Control Over Compliance

Management of Adopt-A-Family of the Palm Beaches, Inc. 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 Adopt-A-Family of the Palm Beaches, Inc.'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 OMB Circular A-133, 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 Adopt-A-Family of the Palm Beaches, Inc.'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Holyfield & Thomas, LLC

West Palm Beach, Florida
February 7, 2014

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to consolidated financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance on major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Major programs:	
CFDA Number(s)	14.235
Name of Federal Program or Cluster:	U.S. Department of Housing and Urban Development - Office of Community Planning and Development Supportive Housing Program
Major programs:	
CFDA Number(s)	14.256
Name of Federal Program or Cluster:	U.S. Department of Housing and Urban Development - Office of the Secretary Neighborhood Stabilization Program (ARRA)
Dollar Threshold used to distinguish between type A and type B programs:	$ 300,000
Auditee qualified as a low-risk auditee?	No

SECTION II – CONSOLIDATED FINANCIAL STATEMENT FINDINGS

There are no findings or questioned costs reported for the year ended June 30, 2013, relative to financial reporting for Adopt-A-Family of the Palm Beaches, Inc.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings or questioned costs reported for the year ended June 30, 2013, relative to federal awards for Adopt-A-Family of the Palm Beaches, Inc.

CORRECTIVE ACTIION PLAN

There is no corrective action plan required, as there are no findings or question costs reported for the year ended June 30, 2013.

PRIOR YEAR FINDINGS

Finding	***2012-01 Grants Receivable Reconciliation – Significant Deficiency***
Condition	In connection with staff turnover in the accounting department during the prior year, combined with a significant increase in the accounting and reporting of the NSP2 program, the Organization encountered a situation where management was not able to reconcile or fully monitor the grants receivable account on a recurring basis.
Recommendation	We recommended that management implemented procedures to reconcile and monitor its grants receivable on a monthly basis and make any corrections deemed necessary in a timely manner.
Current Status	We noted that the condition was corrected and that there were no exceptions noted in the current year.

SUPPLEMENTARY

INFORMATION

Federal Grantor/Pass-Through Grantor Program or Cluster Title	CFDA Number / Award Number	Federal Expenditures
U.S. Department of Housing and Urban Development - Office of Community Planning and Development		
Supportive Housing Program	14.235 /	
Project SAFE II	FL0288B4D051104	$ 131,013
Project SAFE II	FL0288L4D051205	73,172
Bridges to Success	FL0275B4D051103	191,167
A Place Called Home	FL0393B4D051000	178,736
Passed through from Palm Beach County Housing and Community Development:		
Emergency Solutions Grants Program:	14.231 /	
Emergency Solutions Grant	R2011-2030	987
Emergency Solutions Grant	R2012-1405	59,312
Emergency Solutions Grant 2	R2013-0460	24,568
Passed through from Palm Beach County Department of Community Services:		
Community Development Block Grant	14.218 / R2011-2009	18,230
U.S. Department of Housing and Urban Development - Office of the Secretary		
Passed through from City of Lake Worth Community Redevelopment Agency		
Neighborhood Stabilization Program (ARRA)	14.256 / B-9-CN-FL-0019	884,104
Total Department of Housing and Urban Development		1,561,289
U.S. Department of Homeland Security - Federal Emergency Management Agency (FEMA)		
Passed through from United Way:		
Emergency Food and Shelter Program	97.024 / Phase 30	66,420
Total federal expenditures		$ 1,627,709

See independent auditor's report and accompanying notes to Schedule of Expenditures of Federal Awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Adopt-A-Family of the Palm Beaches, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

ADOPT-A-FAMILY
OF THE PALM BEACHES, INC.

For the Year Ended June 30, 2013

	Project GROW	A Place Called Home	Bridges to Success	Project S.A.F.E.
Salaries	$ 190,341	$ 34,113	$ 99	$ 248,750
Employee benefit	39,386	7,076	63	43,689
Payroll taxes	17,114	3,039	7	21,600
	246,841	44,228	169	314,039
Advertising and recruitment	406	-	-	-
Building maintenance	6,566	1,177	-	61,050
Direct fund raising costs	-	-	-	-
Equipment rental and purchases	1,202	1,866	-	3,272
Food service	5,886	-	-	22
Insurance expense	16,420	207	-	23,291
Interest expense	-	-	-	-
Membership dues	327	-	-	385
NSP2 direct expense	-	-	-	-
Office supplies	1,919	21	-	2,055
Other expenses	(1,084)	83	-	3,544
Postage	425	-	-	491
Printing	214	-	-	247
Professional fees	10,521	1,246	-	12,963
Program supplies	13,073	-	-	-
Property and sales tax	421	-	-	7,350
Rent	-	-	-	191
Specific assistance	500	121,897	191,167	63,605
Telephone	2,934	1,259	17	5,339
Training and development	1,732	853	-	1,380
Travel and transportation	2,172	154	-	2,969
Utilities	3,860	-	-	41,112
	314,335	172,991	191,353	543,305
Depreciation	14,935	-	-	105,111
Total expenses	$ 329,270	$ 172,991	$ 191,353	$ 648,416

See independent auditor's report.

Service Enriched Housing	Housing Stabilization Program	Homeless Resource Center	NSP2	Community Land Trust Program	Total Program Expenses
$ 101,022	$ 190,687	$ 522,815	$ 114,006	$ 34,483	$ 1,436,316
17,655	37,782	107,709	15,481	5,002	273,843
8,099	17,291	47,748	12,854	2,740	130,492
126,776	245,760	678,272	142,341	42,225	1,840,651
-	50	275	-	-	731
26,767	8,934	8,071	15,334	6,376	134,275
-	-	-	-	-	-
2,509	2,133	1,950	1,886	308	15,126
55	4	5,223	-	1	11,191
8,213	23,459	22,996	7,649	3,004	105,239
-	-	-	-	11,422	11,422
155	586	1,082	170	52	2,757
-	-	-	1,453,867	-	1,453,867
822	3,117	6,825	838	268	15,865
1,458	29	406	4,285	705	9,426
196	763	654	196	65	2,790
99	378	344	99	33	1,414
5,126	16,768	20,140	6,302	1,710	74,776
-	-	1,980	148	-	15,201
4,217	744	647	9,674	2,049	25,102
186	131	-	-	2	510
162	371,000	682,586	-	75	1,430,992
3,030	5,321	7,997	3,914	813	30,624
628	1,979	4,596	802	242	12,212
1,914	1,504	6,696	282	118	15,809
37,367	7,721	5,939	12,618	10,004	118,621
219,680	690,381	1,456,679	1,660,405	79,472	5,328,601
79,317	11,881	15,899	63,756	72,306	363,205
$ 298,997	$ 702,262	$ 1,472,578	$ 1,724,161	$ 151,778	$ 5,691,806

See independent auditor's report.