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

REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2015
(with comparable totals for 2014)

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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, 2015, 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, 2015, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, 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.

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.

Report on Summarized Comparative Information

We have previously audited the June 30, 2014 financial statements, and our report dated December 19, 2014, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
December 17, 2015

As of June 30, 2015 ***(with comparable totals for 2014)***

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 468,234	$ 662,452
Grants and allocations receivable	636,797	567,444
Contributions receivable, net	36,958	64,964
Prepaid expenses	73,401	25,533
Total current assets	1,215,390	1,320,393
Cash and cash equivalents, non-current	1,103,596	963,760
Other assets	6,768	6,768
Property and equipment, net	4,622,789	4,480,360
Community land trust, net	1,809,229	1,878,672
Total assets	$ 8,757,772	$ 8,649,953
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 13,278	$ 47,234
Accrued expenses	144,283	113,163
Refundable advances	204,255	200,000
Line of credit	-	95,000
Current portion of obligation under capital lease	19,237	19,237
Current portion of loan payable	9,843	9,276
Total current liabilities	390,896	483,910
Non-current liabilities:		
Resident deposits and escrow accounts	96,660	110,864
Obligation under capital lease	62,521	81,758
Loan payable	179,127	188,971
Total liabilities	729,204	865,503
Net assets:		
Unrestricted:		
Equity in fixed assets	2,592,692	2,357,993
Equity in community land trust	1,809,229	1,783,672
Designated for contingencies	126,000	-
Undesignated	708,636	810,341
Total unrestricted	5,236,557	4,952,006
Temporarily restricted	2,792,011	2,832,444
Total net assets	8,028,568	7,784,450
Total liabilities and net assets	$ 8,757,772	$ 8,649,953

See accompanying notes to consolidated financial statements.

For the Year Ended June 30, 2015 ***(with comparable totals for 2014)***

	Unrestricted	Temporarily Restricted	2015 Totals	2014 Totals
Support and revenue:				
Grants and donations:				
Governmental grants	$ 2,736,488	$ -	$ 2,736,488	$ 3,543,327
United Way allocations	280,934	140,360	421,294	433,547
Contributions	1,208,619	172,631	1,381,250	1,023,549
In-kind donations	43,641	-	43,641	28,487
Total grants and donations	4,269,682	312,991	4,582,673	5,028,910
Special events	691,076	63,650	754,726	756,091
Rents	448,561	-	448,561	406,280
Other income	5,039	1,311	6,350	49,728
GROW tuition	14,873	-	14,873	19,144
Investment income	-	2,490	2,490	311
Total support and revenue	5,429,231	380,442	5,809,673	6,260,464
Net assets released from restriction	420,875	(420,875)	-	-
Expenses:				
Program services	4,750,198	-	4,750,198	4,584,760
General and administrative	341,376	-	341,376	342,247
Fundraising and development	473,981	-	473,981	555,927
Total expenses	5,565,555	-	5,565,555	5,482,934
Change in net assets	284,551	(40,433)	244,118	777,530
Net assets, beginning of year	4,952,006	2,832,444	7,784,450	7,006,920
Net assets, end of year	$ 5,236,557	$ 2,792,011	$ 8,028,568	$ 7,784,450

See accompanying notes to consolidated financial statements.

	2015	2014
Cash flows from operating activities:		
Cash received from grants and donations	$ 4,565,384	$ 5,099,106
Cash received from special events	568,607	592,614
Cash received from rents and tuition	448,561	406,280
Cash received from sale of properties	-	135,674
Cash paid to suppliers and employees	(5,065,167)	(4,879,664)
Other income received	23,713	60,144
Interest expense paid	(13,176)	(22,027)
Net cash provided by operating activities	527,922	1,392,127
Cash flows from investing activities:		
Purchase of property and equipment	(444,586)	(106,987)
Net cash used in investing activities	(444,586)	(106,987)
Cash flows from financing activities:		
Advances from line of credit	-	50,000
Payments on line of credit	(95,000)	(280,000)
Change in resident deposits and escrow accounts	(14,204)	8,946
Principal payments on obligation under capital lease	(19,237)	(21,321)
Principal payments of loans payable	(9,277)	(8,742)
Net cash used in financing activities	(137,718)	(251,117)
Change in cash and cash equivalents	(54,382)	1,034,023
Cash and cash equivalents, beginning	1,626,212	592,189
Cash and cash equivalents, ending	1,571,830	1,626,212
Cash and cash equivalents, non-current	(1,103,596)	(963,760)
Cash and cash equivalents, current	$ 468,234	$ 662,452

See accompanying notes to consolidated financial statements.

	2015	2014
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 244,118	$ 777,530
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	371,600	371,342
Gain on disposal of asset	-	(9,039)
Neighborhood stabilization program 2:		
Property adjustment to fair value	-	10,826
Proceeds from sale of properties	-	135,674
(Increase) decrease in certain assets:		
Grants and allocations receivable	(69,353)	1,702
Contributions receivable	28,006	(52,019)
Prepaid expenses	(47,868)	25,494
Increase (decrease) in certain liabilities:		
Accounts payable	(33,956)	(40,374)
Accrued expenses	31,120	21,991
Refundable advances	4,255	149,000
Net cash provided by operating activities	$ 527,922	$ 1,392,127

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015 ***(with comparable totals for 2014)***

	Program Services	Management and General	Fundraising and Development	2015 Totals	2014 Totals
Salaries	$ 1,633,825	$ 201,659	$ 226,493	$ 2,061,977	$ 1,981,894
Employee benefits	391,989	24,847	46,150	462,986	417,443
Payroll taxes	125,443	15,450	17,483	158,376	155,616
	2,151,257	241,956	290,126	2,683,339	2,554,953
Advertising and recruitment	6,961	602	622	8,185	10,097
Building maintenance	97,316	6,109	1,231	104,656	127,642
Direct fundraising costs	-	-	122,675	122,675	133,447
Equipment rental and purchases	543	1,383	-	1,926	3,320
Food service	9,385	-	-	9,385	5,219
Insurance expense	131,656	6,859	9,187	147,702	146,818
Interest expense	1,260	11,916	-	13,176	22,027
Membership dues	11,612	6,669	7,197	25,478	9,093
NSP2 expenses	-	-	-	-	146,500
Office supplies	28,205	6,712	2,772	37,689	41,647
Other expenses	1,270	19,134	50	20,454	13,943
Postage	3,949	580	420	4,949	4,030
Printing	937	140	2,124	3,201	4,227
Professional fees	104,936	17,598	13,405	135,939	89,147
Program supplies	48,325	-	-	48,325	23,017
Property and sales tax	28,454	120	179	28,753	34,886
Rent	2,351	607	-	2,958	660
Specific assistance	1,545,270	1,501	1,065	1,547,836	1,479,335
Telephone	28,264	2,511	1,970	32,745	38,196
Training and development	28,849	8,658	3,348	40,855	30,459
Travel and transportation	28,894	1,292	1,794	31,980	41,078
Utilities	137,272	1,916	2,561	141,749	151,851
	4,396,966	336,263	460,726	5,193,955	5,111,592
Depreciation	353,232	5,113	13,255	371,600	371,342
Total expenses	$ 4,750,198	$ 341,376	$ 473,981	$ 5,565,555	$ 5,482,934

See accompanying notes to consolidated 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 created 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. 96% of the children attending Project GROW were promoted to the next grade level during the school year ended during June 2015.

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

A Place Called Home is a permanent supportive housing program for homeless families primarily 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. 75% of the families participating in the program were working and/or pursuing a GED or college education during the fiscal year.

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. 100% of participating families remained stably housed during the fiscal year by either remaining in the Bridges to Success program or exiting to another permanent supportive housing program.

1. Business and Summary of Significant Accounting Policies, continued

Organization, continued

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

Project SAFE is a permanent supportive housing program for homeless families partially funded by HUD. The program consists of 32 units of agency-owned housing and is currently the largest permanent housing program for homeless families living with a disability in Palm Beach County. The program offers intensive case management and supportive services to all residents. 75% of the families participating in the program were working and/or pursuing a GED or college education during the fiscal year.

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 Organization's Family Resource Center. Rent is based on 30% of the family's income. The Organization captures the first $500 as the base rent with all additional funds placed in escrow and used for credit repair, home ownership activities, and general wealth building. $68,000 of participating family's collective debt was eliminated during the fiscal year and 4 families purchased a primary residence and exited the program as a result.

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. This program prevented 181 Palm Beach County families from becoming homeless and allowed them to remain stably housed during the fiscal year.

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, access to mainstream resources, vital shelter and housing services, and permanent housing. 85% of families who were housed by the HRC maintained stable housing after one year.

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 was to stabilize neighborhoods through the acquisition and rehabilitation of foreclosed properties. The Organization rehabilitated and constructed a total of forty-one housing units in the City of Lake Worth as a result of this opportunity. Since the award, a total of seventeen units were sold by the Organization to income-qualified households and twenty-four units were retained by the Organization and are currently being used as rental properties for low-income families. The program maintained a 98% occupancy rate during the fiscal year.

1. __Business and Summary of Significant Accounting Policies__, continued

Organization, continued

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 arrangement 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. 90% of the heads of household of participating families were employed full time during the fiscal year.

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, "*Presentation of Financial Statements*." 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:

Unrestricted Net Assets: 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.

Temporarily Restricted Net Assets: 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.

Permanently Restricted Net Assets: 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, 2015.

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

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, 2014, from which the summarized information was derived. Certain balances for the year ended June 30, 2014 have been reclassified to conform to June 30, 2015 classifications. Such reclassifications have no effect on the change in net assets as previously reported.

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 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 and Contributions Receivable: The carrying amount approximates fair value due to the short term of the receivables.

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

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

1. __Business and Summary of Significant Accounting Policies__, continued

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.

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.

1. Business and Summary of Significant Accounting Policies, continued

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.

Designated for Contingencies

As of June 30, 2015, the Organization has segregated $126,000 of net assets for a contingency fund for the primary purpose of maintaining the Organization’s housing facilities.

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

Foundation support, unconditional promises to give, and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when either the stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported in the Consolidated Statements of Activities as net assets released from restrictions. However, if the restriction is met in the same period as the restricted income is received, the Organization classifies such income as unrestricted support.

1. ***Business and Summary of Significant Accounting Policies, continued***

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, 2015, amounted to approximately $43,600. 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, 2015.

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.

Specific Assistance

Specific assistance expense, as denoted on the Consolidated Statement of Functional Expenses, consists of direct financial assistance expended on behalf of the Organization's clients correlating to the mission of the respective programs.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense for the year ended June 30, 2015, amounted to approximately $460.

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).

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

Income Taxes, continued

The Organization follows FASB ASC 740-10, "*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, 2015, and there are currently no open Federal or State tax years under audit.

2. <u>Grants and Allocations Receivable</u>

A summary of grants and allocations receivable as of June 30, 2015 is as follows:

Palm Beach County	$ 262,302
Learning Coalition of Palm Beach County	10,000
Housing and Urban Development (HUD)	170,726
United Way	148,089
Homeless Coalition	45,680
Total grants and allocations receivable	$ 636,797

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. <u>Contributions Receivable</u>

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, 2015 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.

The following is a summary of contributions receivable as of June 30, 2015:

Contributions receivable	$ 41,958
Allowance for uncollectible amounts	(5,000)
Net contributions receivable	$ 36,958

4. Property and Equipment

Details of the Organization's property and equipment as of June 30, 2015, are as follows:

Land	$ 1,044,512
Buildings	5,637,960
Building improvements	498,895
Equipment	427,164
Equipment under capital lease	100,995
Motor vehicles	140,677
	7,850,203
Less accumulated depreciation	3,227,414
Net property and equipment	$ 4,622,789

5. Community Land Trust Program/Wiley Reynolds Apartments

The Organization operates 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.

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, 2015, consisted of the following:

Land	$ 296,669
Building	1,972,866
	2,269,535
Less accumulated depreciation	460,306
Total designated for CLT	$ 1,809,229

6. 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. Since the award, a total of seventeen units were sold by the Organization to income-qualified households and twenty-four units were retained by the Organization and are currently being 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 also deed restricted, protecting their affordability, for 20 years from the date of completion of construction.

The temporarily restricted net assets under the NSP2 program as of June 30, 2015, consisted of the following:

Rental properties (24 units)	$ 1,950,637
Less accumulated depreciation	191,268
Rental properties, net	1,759,369
Program income	836,973
Total restricted net assets under NSP2	$ 2,596,342

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

7. 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, 2015. There was no amount outstanding under the line of credit as of June 30, 2015.

8. Capital Lease

The Organization leases certain equipment under a capital lease that expires in September 2019. 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 are 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, 2015 was $20,200.

8. Capital Lease, continued

Minimum future lease payments under capital lease as of June 30, 2015 for each of the next five years and in the aggregate are:

Year	Amount
2016	$ 19,237
2017	19,237
2018	19,237
2019	19,237
2020	4,810
Total obligation under capital lease	81,758
Less current portion	19,237
Long-term portion	$ 62,521

9. 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, 2015. The note requires monthly payments of principal and interest until June 30, 2028.	$ 188,970
Less current portion	9,843
Long-term portion	$ 179,127

The approximate future maturities of this installment obligation are as follows:

Year	Amount
2016	$ 9,843
2017	10,446
2018	11,084
2019	11,762
2020	12,481
Thereafter	133,354
	$ 188,970

10. Restriction on Net Assets

Unexpended temporarily restricted net assets are restricted for the following purposes as of June 30, 2015:

Housing Stabilization Program	$ 94,000
Project Grow	63,474
Service Enriched Housing	12,360
NSP2	2,596,342
Season-to-Share	11,346
Capital projects	14,489
Total temporarily restricted net assets	$ 2,792,011

11. 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, 2015 are as follows:

Housing Stabilization Program	$ 89,610
Project Grow	83,400
Service Enriched Housing	12,360
NSP2	63,756
Season-to-Share	13,607
Capital projects	158,142
Total net assets released from restrictions	$ 420,875

12. Special Events

The Organization participated in several special events during the year. Special event revenues and expenses for the year ended June 30, 2015 were as follows:

	Revenues	Direct Expenses	Net
Tree Lighting	$ 427,688	$ 53,026	$ 374,662
Duck Derby	48,870	22,740	26,130
Golf Tournament	99,725	32,667	67,058
Capital Campaign	57,150	1,445	55,705
Others	121,293	12,797	108,496
Total	$ 754,726	$ 122,675	$ 632,051

13. 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, 2015, 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, 2015 was $32,674.

14. 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, 2015, there was approximately $370,000 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.

15. Subsequent Events

Management has evaluated subsequent events through December 17, 2015, the date on which the consolidated financial statements were available to be issued, and determined there were no subsequent events that would require additional disclosure in these consolidated financial statements.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Adopt-A-Family of the Palm Beaches, Inc., which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the year ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Adopt-A-Family of the Palm Beaches, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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. Accordingly, we do not express an opinion on the effectiveness of Adopt-A-Family of the Palm Beaches, Inc.'s internal control.

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

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

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*.

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 in the effectives of Adopt-A-Family of the Palm Beaches, Inc.'s internal control or on compliance. This 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the board of directors, management, 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
December 17, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR 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 *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, 2015. 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, 2015.

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
December 17, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified
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:	Unmodified
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
Dollar Threshold used to distinguish between type A and type B programs:	$ 300,000
Auditee qualified as a low-risk auditee?	Yes

SECTION II – CONSOLIDATED FINANCIAL STATEMENT FINDINGS

There are no findings or questioned costs reported for the year ended June 30, 2015, 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, 2015, relative to federal awards for Adopt-A-Family of the Palm Beaches, Inc.

CORRECTIVE ACTION PLAN

There is no corrective action plan required, as there are no findings or question costs reported for the year ended June 30, 2015.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior audit findings or questioned costs for the year ended June 30, 2014, relative to federal awards requiring action on the part of the auditee for that fiscal year.

SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

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	FL0288L4D051306	$ 167,624
Project SAFE II	FL0288L4D051407	63,957
Bridges to Success	FL0275L4D051204	42,344
Bridges to Success	FL0275L4D051305	164,058
A Place Called Home	FL0393L4D051201	42,881
A Place Called Home	FL0393L4D051302	158,957
Passed through from Palm Beach County Housing and Community Development:		
Emergency Solutions Grants Program:	14.231 /	
Emergency Solutions Grant	R2014-1566	31,571
Emergency Solutions Grant	R2015-0709	15,097
Total federal expenditures		$ 686,489

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*.

	Project GROW	A Place Called Home	Bridges to Success	Project S.A.F.E.
Salaries	$ 270,376	$ 69,010	$ 6,850	$ 261,003
Employee benefit	63,328	17,017	1,467	70,988
Payroll taxes	19,489	5,382	546	20,598
	353,193	91,409	8,863	352,589
Advertising and recruitment	2,034	232	2	639
Building maintenance	5,344	2,747	-	37,945
Equipment rental and purchases	-	-	-	103
Food service	-	-	-	9,385
Insurance expense	22,682	7,459	-	21,166
Interest expense	-	-	-	-
Membership dues	1,520	528	162	1,745
Office supplies	9,833	1,082	6	4,053
Other expenses	483	150	-	235
Postage	651	216	-	604
Printing	189	109	-	141
Professional fees	14,685	5,417	289	18,770
Program supplies	45,208	299	-	1,401
Property and sales tax	2,203	150	-	5,982
Rent	-	-	-	842
Specific assistance	4,687	152,669	198,946	52,766
Telephone	1,818	1,552	98	8,842
Training and development	4,528	828	100	4,269
Travel and transportation	2,822	1,509	41	4,752
Utilities	6,111	2,840	-	68,035
	477,991	269,196	208,507	594,264
Depreciation	15,284	3,488	-	81,907
Total expenses	$ 493,275	$ 272,684	$ 208,507	$ 676,171

See independent auditor's report.

	Service Enriched Housing		Housing Stabilization Program		Homeless Resource Center		NSP2		CLT / Wiley Reynolds Apartments		Total Program Expenses
$	88,483	$	192,457	$	667,940	$	55,337	$	22,369	$	1,633,825
	21,863		46,733		151,041		14,668		4,884		391,989
	7,070		15,551		50,767		4,261		1,779		125,443
	117,416		254,741		869,748		74,266		29,032		2,151,257
	526		865		2,390		194		79		6,961
	15,247		1,628		4,805		18,201		11,399		97,316
	-		-		-		-		440		543
	-		-		-		-		-		9,385
	9,092		12,358		33,839		21,958		3,102		131,656
	-		-		-		-		1,260		1,260
	835		1,379		4,512		627		304		11,612
	1,862		2,043		8,136		740		450		28,205
	73		51		178		62		38		1,270
	261		386		1,518		220		93		3,949
	22		163		126		179		8		937
	8,036		7,663		36,011		9,416		4,649		104,936
	20		-		1,397		-		-		48,325
	5,405		239		1,046		11,376		2,053		28,454
	833		523		-		-		153		2,351
	19,090		366,766		739,526		7,167		3,653		1,545,270
	1,918		1,645		10,634		1,229		528		28,264
	1,689		2,552		13,125		1,450		308		28,849
	2,526		2,233		14,685		155		171		28,894
	31,862		3,499		8,622		6,852		9,451		137,272
	216,713		658,734		1,750,298		154,092		67,171		4,396,966
	103,566		11,161		-		63,756		74,070		353,232
$	320,279	$	669,895	$	1,750,298	$	217,848	$	141,241	$	4,750,198

See independent auditor's report.