

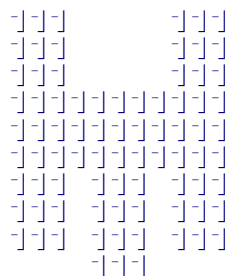
**ADOPT-A-FAMILY
OF THE PALM BEACHES, INC.**

**REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2023
(with comparable totals for June 30, 2022)**

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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

Opinion

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, 2023, 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.

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, 2023, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Adopt-A-Family of the Palm Beaches, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Adopt-A-Family of the Palm Beaches, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Adopt-A-Family of the Palm Beaches, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Adopt-A-Family of the Palm Beaches, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023, 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 solely 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 the effectiveness of Adopt-A-Family of the Palm Beaches, Inc.'s 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.

Supplementary 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards and consolidated schedule of program expenses are fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Adopt-A-Family of the Palm Beaches, Inc.'s 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
December 22, 2023

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

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

As of June 30, 2023

(with comparable totals for 2022)

| | Without Donor Restrictions | With Donor Restrictions | 2023 Totals | 2022 Totals |
|--|-------------------------------|----------------------------|----------------------|----------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 3,640,714 | \$ 1,326,506 | \$ 4,967,220 | \$ 7,636,576 |
| Grants and allocations receivable | 390,777 | 200,000 | 590,777 | 943,467 |
| Contributions receivable, net | 32,750 | - | 32,750 | 34,000 |
| Investments | 2,040,063 | - | 2,040,063 | - |
| Prepaid expenses | 25,151 | - | 25,151 | 23,666 |
| Other current assets | - | - | - | 1,275 |
| Total current assets | 6,129,455 | 1,526,506 | 7,655,961 | 8,638,984 |
| Cash and cash equivalents, non-current | 1,316,113 | - | 1,316,113 | 1,177,951 |
| Other assets | 6,018 | - | 6,018 | 6,018 |
| Property and equipment, net | 7,071,087 | - | 7,071,087 | 7,265,437 |
| Community land trust, net | 1,229,266 | - | 1,229,266 | 1,299,578 |
| Financing right-of-use lease, net | 34,576 | - | 34,576 | 65,135 |
| Total assets | <u>\$ 15,786,515</u> | <u>\$ 1,526,506</u> | <u>\$ 17,313,021</u> | <u>\$ 18,453,103</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 7,472 | \$ - | \$ 7,472 | \$ 13,131 |
| Accrued expenses | 288,291 | - | 288,291 | 218,129 |
| Current portion of obligation under financing lease | 25,942 | - | 25,942 | 28,776 |
| Total current liabilities | 321,705 | - | 321,705 | 260,036 |
| Non-current liabilities: | | | | |
| Resident deposits and escrow accounts | 278,813 | - | 278,813 | 271,951 |
| Obligation under financing lease | 15,600 | - | 15,600 | 40,780 |
| Total liabilities | 616,118 | - | 616,118 | 572,767 |
| Net assets: | | | | |
| Without donor restrictions: | | | | |
| Equity in fixed assets | 7,071,087 | - | 7,071,087 | 7,265,437 |
| Equity in community land trust | 1,229,266 | - | 1,229,266 | 1,299,578 |
| Designated for contingencies | 1,037,300 | - | 1,037,300 | 906,000 |
| Undesignated | 5,832,744 | - | 5,832,744 | 6,948,106 |
| Total without donor restrictions | 15,170,397 | - | 15,170,397 | 16,419,121 |
| With donor restrictions | - | 1,526,506 | 1,526,506 | 1,461,215 |
| Total net assets | 15,170,397 | 1,526,506 | 16,696,903 | 17,880,336 |
| Total liabilities and net assets | <u>\$ 15,786,515</u> | <u>\$ 1,526,506</u> | <u>\$ 17,313,021</u> | <u>\$ 18,453,103</u> |

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF
ACTIVITIES**

For the Year Ended June 30, 2023

(with comparable totals for 2022)

| | Without Donor Restrictions | With Donor Restrictions | 2023 Totals | 2022 Totals |
|--------------------------------------|-------------------------------|----------------------------|----------------------|----------------------|
| Support and revenue: | | | | |
| Grants and donations: | | | | |
| Governmental grants | \$ 4,737,311 | \$ - | \$ 4,737,311 | \$ 4,536,632 |
| United Way allocations | 324,714 | 200,000 | 524,714 | 481,023 |
| Contributions | 1,577,110 | 965,780 | 2,542,890 | 8,179,943 |
| In-kind donations | 48,892 | - | 48,892 | 14,855 |
| Total grants and donations | 6,688,027 | 1,165,780 | 7,853,807 | 13,212,453 |
| Special events | 962,174 | - | 962,174 | 1,133,329 |
| Rents | 610,123 | - | 610,123 | 547,208 |
| GROW tuition | 21,391 | - | 21,391 | 10,670 |
| Other income | 92,204 | 5,949 | 98,153 | 18,920 |
| Investment earnings, net | 110,453 | - | 110,453 | - |
| Gain (loss) on sale of investments | 35,939 | - | 35,939 | (129,609) |
| Total support and revenue | 8,520,311 | 1,171,729 | 9,692,040 | 14,792,971 |
| Net assets released from restriction | 1,106,438 | (1,106,438) | - | - |
| Expenses: | | | | |
| Program services | 9,391,007 | - | 9,391,007 | 7,773,138 |
| General and administrative | 604,599 | - | 604,599 | 653,943 |
| Fundraising and development | 879,867 | - | 879,867 | 795,760 |
| Total expenses | 10,875,473 | - | 10,875,473 | 9,222,841 |
| Change in net assets | (1,248,724) | 65,291 | (1,183,433) | 5,570,130 |
| Net assets, beginning of year | 16,419,121 | 1,461,215 | 17,880,336 | 12,310,206 |
| Net assets, end of year | <u>\$ 15,170,397</u> | <u>\$ 1,526,506</u> | <u>\$ 16,696,903</u> | <u>\$ 17,880,336</u> |

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF
CASH FLOWS**

For the Year Ended June 30, 2023

(with comparable totals for 2022)

| | <u>2023</u> | <u>2022</u> |
|---|----------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Cash received from grants and donations | \$ 8,157,605 | \$ 7,884,775 |
| Cash received from special events | 791,211 | 951,082 |
| Cash received from rents and tuition | 610,123 | 547,208 |
| Cash paid to suppliers, client assistance and employees | (10,059,027) | (8,423,992) |
| Other income received | 110,344 | 28,540 |
| Investment earnings, net | 110,453 | - |
| Net cash provided by (used in) operating activities | <u>(279,291)</u> | <u>987,613</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (235,827) | (197,945) |
| Proceeds from disposal of assets | 9,200 | 1,050 |
| Proceeds from sale of investments | 243,447 | 5,055,963 |
| Purchase of investments | (2,247,571) | - |
| Net cash provided by (used in) investing activities | <u>(2,230,751)</u> | <u>4,859,068</u> |
| Cash flows from financing activities: | | |
| Change in resident deposits and escrow accounts | 6,862 | 50,243 |
| Principal payments on obligation under capital lease | (28,014) | (24,734) |
| Net cash provided by (used in) financing activities | <u>(21,152)</u> | <u>25,509</u> |
| Change in cash and cash equivalents | (2,531,194) | 5,872,190 |
| Cash and cash equivalents, beginning | <u>8,814,527</u> | <u>2,942,337</u> |
| Cash and cash equivalents, ending | 6,283,333 | 8,814,527 |
| Cash and cash equivalents, non-current | <u>(1,316,113)</u> | <u>(1,177,951)</u> |
| Cash and cash equivalents, current | <u><u>\$ 4,967,220</u></u> | <u><u>\$ 7,636,576</u></u> |

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF
CASH FLOWS**

For the Year Ended June 30, 2023

(with comparable totals for 2022)

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|-------------------|
| Reconciliation of change in net assets to net cash provided by (used in) operating activities: | | |
| Change in net assets | \$ (1,183,433) | \$ 5,570,130 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 536,048 | 518,942 |
| Donated stock | - | (5,185,572) |
| Donated vehicle | (5,000) | - |
| Gain on disposal of assets | (9,200) | (1,050) |
| (Gain) loss on sale of investments | (35,939) | 129,609 |
| (Increase) decrease in certain assets: | | |
| Grants and allocations receivable | 352,690 | (127,251) |
| Contributions receivable | 1,250 | (9,750) |
| Prepaid expenses | (1,485) | 201,377 |
| Other current assets | 1,275 | - |
| Increase (decrease) in certain liabilities: | | |
| Accounts payable | (5,659) | 12,757 |
| Accrued expenses | 70,162 | (121,579) |
| Net cash provided by (used in) operating activities | <u>\$ (279,291)</u> | <u>\$ 987,613</u> |

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, 2023

(with comparable totals for 2022)

| | Program Services | Management and General | Fundraising and Development | 2023 Totals | 2022 Totals |
|---|---------------------|---------------------------|--------------------------------|----------------------|---------------------|
| Salaries | \$ 3,235,245 | \$ 281,562 | \$ 451,476 | \$ 3,968,283 | \$ 3,476,246 |
| Employee benefits | 605,851 | 59,807 | 77,704 | 743,362 | 674,725 |
| Payroll taxes | 235,686 | 17,629 | 32,492 | 285,807 | 238,602 |
| | <u>4,076,782</u> | <u>358,998</u> | <u>561,672</u> | <u>4,997,452</u> | <u>4,389,573</u> |
| Advertising and recruitment | 4,537 | 10,634 | 140 | 15,311 | 14,816 |
| Building maintenance | 325,138 | 40,272 | 308 | 365,718 | 390,853 |
| Direct fundraising costs | - | - | 168,888 | 168,888 | 172,497 |
| Equipment rental | 3,185 | - | - | 3,185 | 2,753 |
| Insurance expense | 362,018 | 45,121 | 14,197 | 421,336 | 374,384 |
| Membership dues | 13,607 | 2,155 | 3,437 | 19,199 | 18,122 |
| Office supplies | 41,141 | 27,061 | 10,310 | 78,512 | 54,729 |
| Other expenses | 15,517 | 5,199 | - | 20,716 | 27,365 |
| Postage | 288 | 2,257 | 1,945 | 4,490 | 3,670 |
| Printing | 100 | 20 | 4,996 | 5,116 | 12,129 |
| Professional fees | 165,280 | 37,606 | 53,942 | 256,828 | 248,385 |
| Property tax | 28,020 | 1,964 | 351 | 30,335 | 27,180 |
| Rent | 13,897 | 1,511 | 1,259 | 16,667 | 14,692 |
| Specific assistance and program supplies | 3,723,094 | 4,009 | 38,632 | 3,765,735 | 2,790,542 |
| Telephone | 31,656 | 2,290 | 1,900 | 35,846 | 33,833 |
| Training and development | 17,801 | 28,050 | 586 | 46,437 | 48,870 |
| Travel and transportation | 29,107 | 6,777 | 855 | 36,739 | 21,478 |
| Utilities | 39,588 | 9,637 | 1,690 | 50,915 | 58,028 |
| | <u>8,890,756</u> | <u>583,561</u> | <u>865,108</u> | <u>10,339,425</u> | <u>8,703,899</u> |
| Depreciation | <u>500,251</u> | <u>21,038</u> | <u>14,759</u> | <u>536,048</u> | <u>518,942</u> |
| Total expenses | <u>\$ 9,391,007</u> | <u>\$ 604,599</u> | <u>\$ 879,867</u> | <u>\$ 10,875,473</u> | <u>\$ 9,222,841</u> |

See accompanying notes to consolidated financial statements.

For The Year Ended June 30, 2023

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 strengthening families with children in their efforts to achieve stability and self-sufficiency by providing access to all-encompassing services. 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 Organization's licensed afterschool/out-of-school program serving children in kindergarten through fifth grade. Most children attending are formerly homeless and reside in one of the Organization'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.

Scholarship

Through a donor-funded scholarship program, resident children at all grade levels have the opportunity to attend private schools suited to their individual needs and talents. The scholarship funds tuition, fees, and associated expenses (uniforms, school lunches, field trips, etc.) so there is no additional cost to the family.

Senator Philip D. Lewis Homeless Resource Center (HRC)

The Organization is a partner agency of Palm Beach County's Homeless Resource Center (HRC), which 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. The HRC family division receives funding from multiple sources, including Palm Beach County, HUD, private foundations, and partnering agencies.

Connecting Youth to Opportunities (CYTO)

CYTO is a Rapid Re-Housing program for families experiencing homelessness, whose head of household must be 18 to 24 years old at program entry. The program is one of the HUD-funded programs administered out of the HRC. The program offers intensive case management and supportive services to all residents, as well as a declining rental subsidy to assist clients while they work toward being able to sustain their housing costs independently.

For The Year Ended June 30, 2023

1. Business and Summary of Significant Accounting Policies, continued

Organization, continued

Senator Philip D. Lewis Homeless Resource Center (HRC), continued

Connecting Youth to Opportunities 2 (CYTO 2)

CYTO 2 is a Rapid Re-Housing program for families experiencing homelessness, whose head of household must be 18 to 24 years old at program entry. The program is one of the HUD-funded programs and is administered out of the HRC. The program offers intensive case management and supportive services to all participants, as well as a declining rental subsidy to assist clients while they work toward being able to sustain their housing costs independently.

Youth Establishing Stability (YES)

YES is a Permanent Supportive Housing program for families experiencing homelessness, whose head of household must be 18 to 24 years old at program entry and must have a disability of long duration. This is one of the HUD-funded programs administered out of the HRC. The program offers intensive case management and supportive services to all program residents.

Housing Stabilization Program

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

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 receive funding through HUD's NSP2 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 41 housing units in the City of Lake Worth as a result of this opportunity. A total of 17 units were sold by the Organization to income-qualified households between 2010 and 2014.

Twenty-four units were retained by the Organization and are currently being used as affordable, defined as below fair market rent rates, rental properties for low-income families. In accordance with HUD's national grant guidelines, the units are deed restricted, protecting their affordability for 20 years from the date of completion of construction.

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 supportive housing program in Palm Beach County for families experiencing homelessness with a head of household living with a disability. The program offers intensive case management and supportive services to all program residents.

For The Year Ended June 30, 2023

1. Business and Summary of Significant Accounting Policies, continued

Organization, continued

Service Enriched Housing (S.E.H.)

The Service Enriched Housing program offers affordable housing to low-income families who are on the path to homeownership. The program consists of 30 two-bedroom apartment units located adjacent to the Organization's Family Resource Center. Rent is based on 30% of the family's gross income. The Organization captures the first \$600 as the base rent with all additional funds placed in escrow and used for credit repair, home ownership activities, and general wealth building.

Julian Place

Julian Place is the Organization's newest affordable housing facility designed to provide programming that will improve children's educational outcomes through the provision of stable housing. Julian Place offers 14 two-, three-, and four-bedroom townhomes and a community center in Lake Worth, Florida. The program partners directly with Highland Elementary School, a Title 1 school located three blocks from Julian Place. Resident families must have a child enrolled in Highland Elementary at program entry. The Organization tracks educational outcomes for all students in the household. The program offers tutoring, mentoring, mental health services, parenting classes, financial literacy training, case management, and enrollment in Project Grow. The Youth Success Program is held at the Julian Place community center and serves youth in grades 6-12 residing in one of the Organization's housing programs or community children who were former Project GROW graduates.

Community Land Trust Program/Wiley Reynolds Apartments

The Organization's Community Land Trust Program combined with the Organization's Wiley Reynolds Apartments provides affordable homeownership and rental opportunities to income qualified households. For one homeownership unit, a land lease model is used in which the Organization retains ownership of the land while the purchaser owns the improvements. Rental opportunities primarily consist of the nine-unit Wiley Reynolds Gardens apartments. The units offer low-income families and families experiencing homelessness housing that is priced below 50% of the fair market rent rates.

Mental Health Wellness

The Mental Health Wellness Program's (MHW) primary goal is eliminating barriers to mental health services for the Organization's high-need participants and to improve their mental health and family functioning. Though many families served by the Organization are in need of mental health services, a significant portion of the Organization's families do not engage with therapists due to barriers such as lack of transportation, acceptable health coverage, financial requirements, and provider availability. In addition, the onsite therapist is available for crisis intervention and de-escalation, and provides guidance to case managers of the families. The Building Your Future job coaching program was created to assist clients in preparing for an increasing employment as well as setting up goals to obtain training and education.

For The Year Ended June 30, 2023

1. Business and Summary of Significant Accounting Policies, continued

Organization, continued

Program REACH

The Organization operates Palm Beach County's main emergency shelter serving families with minor children experiencing homelessness. Program REACH (REACH) provides 19 apartments ranging from one to three bedrooms. Families receive up to 90 days of immediate and safe housing paired with support services and resources to seek a permanent housing solution. Families enter REACH through the HRC.

Day 1 Families Fund

The Day 1 Families Fund provides a new significant investment in the Organization's efforts to end family homelessness in Palm Beach County. This program significantly increases the Organization's capacity of three core interventions – diversion, emergency shelter, and rapid re-housing – through direct client assistance dollars, expanded staff, and strengthened infrastructure.

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 accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth under FASB Accounting Standards Codification (FASB ASC) 958-205 *Not-for-Profit Entities, Presentation of Financial Statements*. Accordingly, the net assets of the Organization are reported in each of the following classes:

Net assets without donor restrictions: Include financial resources not restricted by donors, even though their use may be limited in other ways, such as by contract or by Board designation. Unrestricted amounts are currently available, at the discretion of the Board, for use in the Organization's operations.

The Organization does not imply time restrictions on gifts of long-lived assets. In the absence of explicit donor stipulation as to how long an asset must be held, the Organization releases any purpose restrictions when the asset is placed in service for the use stipulated by the donor.

Net assets with donor restrictions: Include financial resources whose use by the Organization has been limited by donor restriction as to the period of use or to specified purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the restricted amounts are reclassified to net assets without donor restrictions.

For The Year Ended June 30, 2023

1. Business and Summary of Significant Accounting Policies, 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.

Cash and Cash Equivalents

Cash and cash equivalents include checking, savings, money market accounts, insured cash sweep, US Treasury Bills, 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.

Investments

Investments include fixed income securities and money balances that are reported at fair value as determined by quoted market prices. The Organization contracts with investment managers to perform ongoing investment functions, investment performance monitoring, and invest according to the investment guidelines established by the Organization's Finance Committee and approved by the Board of Directors.

For The Year Ended June 30, 2023

1. Business and Summary of Significant Accounting Policies, continued

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 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 donor restricted net assets to net assets without donor restrictions 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.

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.

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.

Designated for Contingencies

As of June 30, 2023, the Organization has segregated \$1,037,300 of net assets for a contingency fund. The contingency fund constitutes \$802,700 for AAF needs and \$234,600 for NSP2 needs.

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 revenue with donor restrictions 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 of the grant are met.

For The Year Ended June 30, 2023

1. Business and Summary of Significant Accounting Policies, continued

Support and Revenue

Support from foundations, unconditional promises to give, and other contributions of cash and other assets are reported as support with donor restrictions 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, donor restricted net assets are reclassified and reported in the consolidated statements of activities as net assets released from restriction.

In-Kind Donations

Donated services and in-kind support are recognized as contributions in accordance with FASB ASC 958-605, *Revenue Recognition*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. These services are reflected in the consolidated financial statements at their estimated fair market value at the date of receipt. The donated services and in-kind support are recorded as gifts in-kind income and expense in the period rendered.

The total amount of donated goods received during the year ended June 30, 2023, amounted to approximately \$48,900. Donated goods consisted of a motor vehicle (\$5,000), gift cards (\$5,000), holiday gifts (\$36,800), and household items and clothing (\$2,100) that are provided to clients. They were recorded at estimated fair market value at the date of the receipt based the estimated price of identical or similar products if purchased in this area. This amount is recognized as both revenue, under the caption of in-kind donations, and as property and equipment (\$5,000) in the consolidated statement of financial position, and expense (\$43,900), under the caption of specific assistance in the consolidated statement of functional expenses. There were no significant contributions of professional services for the year ended June 30, 2023.

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.

For The Year Ended June 30, 2023

1. Business and Summary of Significant Accounting Policies, continued

Advertising Costs

Advertising costs are charged to operations when incurred.

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, "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, 2023, and there are currently no open Federal or State tax years under audit.

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, 2022, from which the summarized information was derived.

Recent Adopted Accounting Pronouncements

As of July 1, 2022, the Organization adopted the provisions of FASB ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 replaced existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. Under the new guidance, leases with terms of more than 12 months are required to be recognized in the consolidated statement of financial position as liabilities, with a corresponding "right-of-use" asset.

As of July 1, 2022, the Organization also adopted the provision of FASB Accounting Standards Update 2020-07 – *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of the standard is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the consolidated financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the not-for-profit.

For The Year Ended June 30, 2023

2. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year, that is, without donor restrictions or other restrictions limiting their use within one year of the consolidated statement of financial position date, comprise the following:

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 4,967,220 |
| Grants and allocation receivable | 590,777 |
| Contributions receivable | 32,750 |
| Investments | <u>2,040,063</u> |
| Total financial assets available to meet general expenditures over the next 12 months | <u>\$ 7,630,810</u> |

The Organization is substantially supported by contributions without donor and with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Some of the Organization's net assets with donor restrictions are available for general expenditure within one year of June 30, 2023, because the restrictions on the net assets are expected to be met by conducting the normal program activities of the Organization in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. Furthermore, management believes the Organization has sufficient cash designated by the Board for contingencies plus a \$350,000 line of credit, both of which may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need. The Organization forecasts its future cash flows and monitors liquidity on a monthly basis.

3. Fair Value Measurements

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 fair value measurement of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For The Year Ended June 30, 2023

3. Fair Value Measurements, continued

Fair Value of Financial Instruments: 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 nature of the receivables.

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

Financing Leases and Line of Credit (see Note 8): The carrying amount reported approximates fair value as the stated interest rates approximate market rates.

Items 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 measured at fair value on a recurring basis under ASC 820.

Investments: Valued according to the market quotation provided by the custodian as of the close of business as of June 30, 2023.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments as of June 30, 2023:

| | Assets at Fair Value | | | |
|---------------------------|----------------------|----------|----------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investments: | | | | |
| Cash and cash equivalents | \$ 17,784 | \$ - | \$ - | \$ 17,784 |
| US Treasury Notes | 2,008,997 | - | - | 2,008,997 |
| Accrued income | 13,282 | - | - | 13,282 |
| Total investments | <u>2,040,063</u> | <u>-</u> | <u>-</u> | <u>2,040,063</u> |

4. Grants and Allocations Receivable

A summary of grants and allocations receivable as of June 30, 2023, is as follows:

| | |
|---|-------------------|
| Palm Beach County | \$ 271,336 |
| Learning Coalition of Palm Beach County | 15,650 |
| Housing and Urban Development (HUD) | 85,720 |
| United Way | 207,883 |
| Homeless Coalition | <u>10,188</u> |
| Total grants and allocations receivable | <u>\$ 590,777</u> |

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

For The Year Ended June 30, 2023

5. 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, 2023 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, 2023:

| | |
|-------------------------------------|------------------|
| Contributions receivable | \$ 37,750 |
| Allowance for uncollectible amounts | <u>(5,000)</u> |
| Net contributions receivable | <u>\$ 32,750</u> |

6. Property and Equipment

Details of the Organization's property and equipment as of June 30, 2023, are as follows:

| | |
|-------------------------------|---------------------|
| Land | \$ 1,034,227 |
| Buildings | 9,198,933 |
| Building improvements | 1,479,275 |
| Equipment | 83,808 |
| Motor vehicles | <u>353,981</u> |
| | 12,150,224 |
| Less accumulated depreciation | <u>5,079,137</u> |
| Net property and equipment | <u>\$ 7,071,087</u> |

7. 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.

The program includes a single-family residence on 505 North K Street, a nine-unit apartment complex named Wiley Reynolds Apartments located at 1736 2nd Ave North, and a lot on 1715 3rd Ave North utilized for the Julian Place project. The net assets without donor restrictions designated for the CLT as of June 30, 2023, consisted of the following:

| | |
|-------------------------------|---------------------|
| Land | \$ 296,669 |
| Building | <u>1,972,866</u> |
| | 2,269,535 |
| Less accumulated depreciation | <u>1,040,269</u> |
| Total designated for CLT | <u>\$ 1,229,266</u> |

For The Year Ended June 30, 2023

8. Line of Credit

The Organization has a \$350,000 line of credit with First Horizon 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 8.25% as of June 30, 2023. There was no amount outstanding under the line of credit as of June 30, 2023.

9. Leases

The Organization leases certain equipment under financing leases that expire at various dates through August 2026. The assets and liabilities under the financing leases 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 financing leases is included in depreciation expense in the accompanying consolidated financial statements. Depreciation of assets under financing leases charged to expense during the year ended June 30, 2023 was \$30,559. Minimum future lease payments under financing leases as of June 30, 2023 for each of the next four years and in the aggregate are:

| <u>Year</u> | <u>Amount</u> |
|---|------------------|
| 2024 | \$ 25,942 |
| 2025 | 7,200 |
| 2026 | 7,200 |
| 2027 | <u>1,200</u> |
| Total obligation under financing leases | 41,542 |
| Less current portion | <u>25,942</u> |
| Long-term portion | <u>\$ 15,600</u> |

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2023:

| | |
|--|---------------------|
| Homeless Resource Center | \$ 9,450 |
| Housing Stabilization Program | 334,539 |
| Julian Place | 686,232 |
| Mental Health Wellness | 9,992 |
| Program REACH | 89,892 |
| Project Grow | 345,401 |
| Service Enriched Housing | <u>51,000</u> |
| Total net assets with donor restrictions | <u>\$ 1,526,506</u> |

For The Year Ended June 30, 2023

11. Special Events

The Organization sponsored several special events during the year. Special event revenues and expenses for the year ended June 30, 2023 were as follows:

| | <u>Revenues</u> | <u>Direct Expenses</u> | <u>Net</u> |
|---------------|-------------------|----------------------------|-------------------|
| Tree Lighting | \$ 834,385 | \$ 95,583 | \$ 738,802 |
| Others | <u>127,789</u> | <u>73,305</u> | <u>54,484</u> |
| Total | <u>\$ 962,174</u> | <u>\$ 168,888</u> | <u>\$ 793,286</u> |

12. Employee Benefit Plan

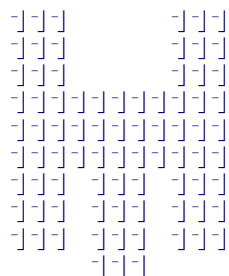
The Organization sponsors a Safe Harbor contribution plan pursuant to Section 401(k) of the Internal Revenue Code. All employees are eligible to participate upon hire. Under the plan, employees may contribute a specified percentage of their salary or a fixed dollar amount to the plan. The Organization contributes a Safe Harbor contribution of 3% of eligible compensation to the plan once the employee had completed one year of service. The Organization's contribution to the plan for the year ended June 30, 2023 was \$96,058 and is included within the employee benefits category in the statement of functional expenses.

13. 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, 2023, there was approximately \$2,417,000 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.

14. Subsequent Events

Management has evaluated subsequent events through December 22, 2023, the date on which the consolidated financial statements were available to be issued, and determined there were no further disclosures required to be presented 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. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, 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, and have issued our report thereon dated December 22, 2023.

Report on 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) as a basis for designing 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

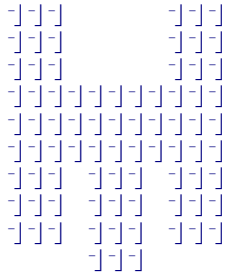
As part of obtaining reasonable assurance about whether Adopt-A-Family of the Palm Beaches, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 on the effectiveness 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.

Holyfield & Thomas, LLC

West Palm Beach, Florida
December 22, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Opinion on Each Major Federal Program

We have audited Adopt-A-Family of the Palm Beaches, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Adopt-A-Family of the Palm Beaches, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Adopt-A-Family of the Palm Beaches, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Adopt-A-Family of the Palm Beaches, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Holyfield & Thomas, LLC

West Palm Beach, Florida
December 22, 2023

For The Year Ended June 30, 2023

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 2 CFR 200.516(a)? | No |
| Major programs: | |
| CFDA Number(s) | 14.276 |
| Name of Federal Program or Cluster: | U.S. Department of Housing and Urban Development - Youth Homelessness Demonstration Program |
| Dollar Threshold used to distinguish between type A and type B programs: | \$ 750,000 |
| Auditee qualified as a low-risk auditee? | Yes |

For The Year Ended June 30, 2023

SECTION II – CONSOLIDATED FINANCIAL STATEMENT FINDINGS

There are no findings or questioned costs reported for the year ended June 30, 2023, 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, 2023, 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, 2023.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior audit findings or questioned costs for the year ended June 30, 2022, relative to federal awards requiring action on the part of the auditee for that fiscal year.

SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

For the Year Ended June 30, 2023

| <u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u> | <u>CFDA Number / Award Number</u> | <u>Federal Expenditures</u> |
|--|---------------------------------------|---------------------------------|
| U.S. Department of Housing and Urban Development - Office of Community Planning and Development | | |
| Continuum of Care Program: | 14.267 / | |
| Project SAFE II | FL0288L4D052114 | \$ 169,872 |
| Project SAFE II | FL0288L4D052215 | 69,623 |
| Connecting Youth to Opportunity | FL0664L4D052004 | 13,119 |
| Connecting Youth to Opportunity | FL0664L4D052105 | 294,373 |
| | | <u>546,987</u> |
| Youth Homelessness Demonstration Program: | 14.276 / | |
| Connecting Youth to Opportunity II | FL0845Y4D051899 | 195,564 |
| Connecting Youth to Opportunity II | FL0845Y4D052101 | 222,277 |
| Youth Establishing Stability | FL0844Y4D051899 | 123,993 |
| Youth Establishing Stability | FL0844Y4D052101 | 226,487 |
| | | <u>768,321</u> |
| Passed through from Palm Beach County Housing and Community Development: | | |
| Emergency Solutions Grants Program: | 14.231 / | |
| Emergency Solutions Grant | R2021-1472 | 18,449 |
| Emergency Solutions Grant | R2022-1502 | 183,762 |
| Emergency Solutions Grant - COVID | R2021-0025 | 53,971 |
| | | <u>256,182</u> |
| Total federal expenditures | | <u>\$ 1,571,490</u> |

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

For The Year Ended June 30, 2023

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Adopt-A-Family of the Palm Beaches, Inc. under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Adopt-A-Family of the Palm Beaches, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Adopt-A-Family of the Palm Beaches, Inc..

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Scope of Audit Pursuant to Uniform Guidance

All federal grant operations of Adopt-A-Family of the Palm Beaches, Inc. are included in the scope of the Uniform Guidance.

Programs tested as major federal programs included awards received directly from the U.S. Department of Housing and Urban Development under the Youth Homelessness Demonstration Program, with fiscal year 2023 expenditures totaling \$768,322. Programs tested ensure coverage of at least 20 percent of federally granted funds. Actual coverage is approximately 49 percent of total federal award program expenditures.

4. Indirect Cost Rate

Adopt-A-Family of the Palm Beaches, Inc. has elected not to use the 10% de minimis indirect cost allowed under the Uniform Guidance.

See independent auditor's report.

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

For the Year Ended June 30, 2023

| | Project Grow | Homeless Resource Center | Housing Stabilization Program | NSP2 | Project S.A.F.E. |
|---|-------------------|--------------------------------|-------------------------------------|-------------------|---------------------|
| Salaries | \$ 348,271 | \$ 1,144,405 | \$ 293,526 | \$ 95,561 | \$ 304,930 |
| Employee benefit | 69,322 | 214,708 | 51,364 | 23,045 | 58,487 |
| Payroll taxes | 24,842 | 83,249 | 21,969 | 7,226 | 23,118 |
| | <u>442,435</u> | <u>1,442,362</u> | <u>366,859</u> | <u>125,832</u> | <u>386,535</u> |
| Advertising and recruitment | 2,541 | 728 | 142 | - | 522 |
| Building maintenance | 22,573 | 811 | 265 | 54,740 | 76,648 |
| Equipment rental and purchases | - | - | - | - | 3,090 |
| Insurance expense | 25,598 | 59,154 | 15,642 | 52,438 | 79,629 |
| Membership dues | 2,203 | 3,638 | 717 | 804 | 2,662 |
| Office supplies | 2,784 | 16,767 | 3,574 | 343 | 3,552 |
| Other expenses | 867 | 3,316 | - | 3,090 | 890 |
| Postage | 33 | 234 | 15 | - | - |
| Printing | 10 | 37 | 7 | 3 | 9 |
| Professional fees | 13,075 | 30,507 | 6,306 | 5,450 | 17,420 |
| Property and sales tax | 723 | - | 304 | 10,442 | 5,821 |
| Rent | 1,401 | 5,196 | 1,076 | 375 | 1,167 |
| Specific assistance and program supplies | 51,020 | 2,228,885 | 577,833 | 15,305 | 81,353 |
| Telephone | 2,101 | 5,426 | 1,623 | 635 | 4,943 |
| Training and development | 961 | 11,223 | 2,514 | 58 | 319 |
| Travel and transportation | 5,685 | 11,820 | 645 | 63 | 241 |
| Utilities | 1,993 | 7,341 | 2,313 | 530 | 1,665 |
| | <u>576,003</u> | <u>3,827,445</u> | <u>979,835</u> | <u>270,108</u> | <u>666,466</u> |
| Depreciation | <u>35,000</u> | <u>9,616</u> | <u>11,253</u> | <u>68,525</u> | <u>77,135</u> |
| Total expenses | <u>\$ 611,003</u> | <u>\$ 3,837,061</u> | <u>\$ 991,088</u> | <u>\$ 338,633</u> | <u>\$ 743,601</u> |

See independent auditor's report.

**CONSOLIDATED SCHEDULE OF
PROGRAM EXPENSES**

| Service Enriched Housing | Julian Place | CLT / Wiley Reynolds Apartments | Mental Health Wellness | Program REACH | Day 1 Families Fund | Total Program Expenses |
|--------------------------------|-------------------|---------------------------------------|------------------------------|-------------------|---------------------------|------------------------------|
| \$ 130,368 | \$ 170,353 | \$ 26,484 | \$ 107,802 | \$ 339,977 | \$ 273,568 | \$ 3,235,245 |
| 24,678 | 38,858 | 4,156 | 21,411 | 51,064 | 48,758 | 605,851 |
| 9,525 | 11,255 | 2,005 | 7,384 | 25,509 | 19,604 | 235,686 |
| <u>164,571</u> | <u>220,466</u> | <u>32,645</u> | <u>136,597</u> | <u>416,550</u> | <u>341,930</u> | <u>4,076,782</u> |
| 15 | 91 | 49 | 45 | 274 | 130 | 4,537 |
| 84,112 | 36,094 | 22,761 | 122 | 26,989 | 23 | 325,138 |
| - | - | - | - | 95 | - | 3,185 |
| 38,836 | 34,449 | 20,122 | 5,608 | 22,659 | 7,883 | 362,018 |
| 1,039 | 517 | 119 | 654 | 416 | 838 | 13,607 |
| 2,481 | 2,304 | 425 | 2,559 | 3,031 | 3,321 | 41,141 |
| 4,488 | 1,815 | 894 | - | 87 | 70 | 15,517 |
| - | - | - | 6 | - | - | 288 |
| 4 | 6 | 2 | 3 | 14 | 5 | 100 |
| 10,684 | 49,923 | 11,394 | 2,739 | 11,115 | 6,667 | 165,280 |
| 6,130 | 2,856 | 1,604 | 140 | - | - | 28,020 |
| <u>584</u> | <u>764</u> | <u>210</u> | <u>484</u> | <u>1,973</u> | <u>667</u> | <u>13,897</u> |
| 47,672 | 14,470 | 10,061 | 17,747 | 1,582 | 677,166 | 3,723,094 |
| 967 | 4,643 | 343 | 3,626 | 6,662 | 687 | 31,656 |
| 88 | 594 | 149 | 104 | 1,293 | 498 | 17,801 |
| 178 | 227 | 62 | 360 | 7,667 | 2,159 | 29,107 |
| <u>807</u> | <u>20,147</u> | <u>303</u> | <u>681</u> | <u>2,800</u> | <u>1,008</u> | <u>39,588</u> |
| 362,656 | 389,366 | 101,143 | 171,475 | 503,207 | 1,043,052 | 8,890,756 |
| <u>34,126</u> | <u>177,500</u> | <u>73,285</u> | <u>3,506</u> | <u>10,305</u> | <u>-</u> | <u>500,251</u> |
| <u>\$ 396,782</u> | <u>\$ 566,866</u> | <u>\$ 174,428</u> | <u>\$ 174,981</u> | <u>\$ 513,512</u> | <u>\$ 1,043,052</u> | <u>\$ 9,391,007</u> |

See independent auditor's report.