

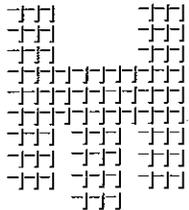
**ADOPT-A-FAMILY
OF THE PALM BEACHES, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2010
(with comparable totals for 2009)**

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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 statement of financial position of Adopt-A-Family of the Palm Beaches, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of Adopt-A-Family of the Palm Beaches, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Adopt-A-Family of the Palm Beaches, Inc.'s 2009 financial statements, and in our report dated September 29, 2009, we expressed an unqualified opinion on those financial statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adopt-A-Family of the Palm Beaches, Inc. as of June 30, 2010, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2010, on our consideration of Adopt-A-Family of the Palm Beaches, Inc.'s internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Adopt-A-Family of the Palm Beaches, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the schedule of program expense is presented for purposes of additional analysis, and is also not a required part of the basic financial statements. All such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Holyfield & Thomas, LLC

West Palm Beach, Florida
October 18, 2010

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

STATEMENT OF FINANCIAL POSITION
(with comparable totals for 2009)

As of June 30, 2010

ASSETS	2010	2009
Current assets:		
Cash and cash equivalents - unrestricted	\$ 343,069	\$ 75,852
Cash and cash equivalents - restricted	52,660	65,213
Grants receivable	466,463	250,083
Contributions receivable, net	22,713	38,488
Prepaid expenses	45,086	48,333
Total current assets	929,991	477,969
Other assets	6,768	6,768
Property and equipment, net	3,104,496	3,203,557
Community land program, net	2,169,246	2,310,968
Total assets	<u>\$ 6,210,501</u>	<u>\$ 5,999,262</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 143,925	\$ 47,237
Accrued expenses	52,423	27,804
Refundable advances	212,786	6,336
Resident deposits and escrow accounts	52,660	65,213
Line of credit	195,000	350,000
Current portion of loans payable	20,738	19,919
Total current liabilities	677,532	516,509
Non-current liabilities:		
Loans payable	582,598	590,882
Total liabilities	<u>1,260,130</u>	<u>1,107,391</u>
Net assets:		
Unrestricted:		
Equity in fixed assets	2,501,160	2,592,756
Equity in community land program	1,974,246	1,960,968
Designated for contingencies	80,000	80,000
Undesignated	251,521	120,777
Total unrestricted	4,806,927	4,754,501
Temporarily restricted	143,444	137,370
Total net assets	<u>4,950,371</u>	<u>4,891,871</u>
Total liabilities and net assets	<u>\$ 6,210,501</u>	<u>\$ 5,999,262</u>

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES
(with comparable totals for 2009)

For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	2010 Totals	2009 Totals
Support and revenue:				
Grants and donations:				
Governmental grants	\$ 1,609,607	\$ -	\$ 1,609,607	\$ 1,337,375
United Way grants	4,599	582,218	586,817	589,526
Contributions	562,838	321,257	884,095	848,720
In-kind donations	56,752	-	56,752	96,186
Total grants and donations	2,233,796	903,475	3,137,271	2,871,807
Special events	512,217	35,554	547,771	398,452
Rents	219,022	-	219,022	183,330
Thrift Sales	-	-	-	91,058
Other Income	7,474	-	7,474	41,483
Investment Income	946	-	946	1,870
Total support and revenue	2,973,455	939,029	3,912,484	3,588,000
Net assets released from restriction	932,955	(932,955)	-	-
Expenses:				
Program services	3,150,862	-	3,150,862	2,652,359
General and administrative	286,799	-	286,799	268,228
Fundraising	341,428	-	341,428	338,432
Total expenses	3,779,089	-	3,779,089	3,259,019
Loss on sale of property and equipment	74,895	-	74,895	2,267
Total expenses and loss	3,853,984	-	3,853,984	3,261,286
Change in net assets	52,426	6,074	58,500	326,714
Net assets, beginning of year	4,754,501	137,370	4,891,871	4,565,157
Net assets, end of year	<u>\$ 4,806,927</u>	<u>\$ 143,444</u>	<u>\$ 4,950,371</u>	<u>\$ 4,891,871</u>

See accompanying notes to financial statements.

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

**STATEMENT OF CASH FLOWS
(with comparable totals for 2009)**

For the Year Ended June 30, 2010

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from grants and donations	\$ 3,067,103	\$ 3,110,719
Cash received from special events	357,422	239,606
Cash received from rents	219,022	183,330
Cash received from thrift store	-	91,058
Cash paid to suppliers and employees	(3,087,337)	(2,722,427)
Investment and other income received	8,420	43,353
Interest expense paid	<u>(20,442)</u>	<u>(48,697)</u>
Net cash provided by operating activities	<u>544,188</u>	<u>896,942</u>
Cash flows from investing activities:		
Proceeds from sale of property	74,218	-
Purchase of property and equipment	(112,783)	(7,368)
Purchase of property and construction in progress - Community land program	<u>(75,941)</u>	<u>(1,169,072)</u>
Net cash used in investing activities	<u>(114,506)</u>	<u>(1,176,440)</u>
Cash flows from financing activities:		
Net advances from (payments to) line of credit	(155,000)	50,000
Decrease in resident deposits and escrow accounts	(12,553)	(7,520)
Proceeds from loans payable	-	350,000
Principal payments of loans payable	<u>(7,465)</u>	<u>(356,349)</u>
Net cash provided by (used in) financing activities	<u>(175,018)</u>	<u>36,131</u>
Change in cash and cash equivalents	254,664	(243,367)
Cash and cash equivalents, beginning	<u>141,065</u>	<u>384,432</u>
Cash and cash equivalents, ending	395,729	141,065
Cash and cash equivalents - restricted	<u>(52,660)</u>	<u>(65,213)</u>
Cash and cash equivalents - unrestricted	<u>\$ 343,069</u>	<u>\$ 75,852</u>

See accompanying notes to financial statements.

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

STATEMENT OF CASH FLOWS
(with comparable totals for 2009)

For the Year Ended June 30, 2010

	<u>2010</u>	<u>2009</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 58,500	\$ 326,714
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	280,394	245,130
Loss on sale of property and equipment	74,895	2,267
(Increase) decrease in certain assets:		
Grants receivable	(216,380)	282,441
Contributions receivable	15,775	75,144
Prepaid expenses	3,247	(29,143)
Increase (decrease) in certain liabilities:		
Accounts payable	96,689	41,244
Accrued expenses	24,619	(24,368)
Refundable advances	206,449	(22,487)
Net cash provided by operating activities	<u>\$ 544,188</u>	<u>\$ 896,942</u>

See accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
(with comparable totals for 2009)**

For the Year Ended June 30, 2010

	Program Services	Management and General	Fundraising	2010 Totals	2009 Totals
Salaries	\$ 957,606	\$ 132,875	\$ 82,013	\$ 1,172,494	\$ 1,328,968
Employee benefit	167,152	22,504	11,468	201,124	213,456
Payroll taxes	78,534	11,001	6,392	95,927	105,869
	<u>1,203,292</u>	<u>166,380</u>	<u>99,873</u>	<u>1,469,545</u>	<u>1,648,293</u>
Advertising and recruitment	869	878	313	2,060	1,173
Building maintenance	58,859	12,051	496	71,406	78,098
Direct fund raising costs	3,572	-	186,777	190,349	137,084
Equipment rental	725	2,179	-	2,904	3,127
Food service	27,471	-	329	27,800	28,689
Insurance expense	70,092	40,129	4,434	114,655	99,904
Interest expense	8,808	11,634	-	20,442	48,697
Membership dues	803	1,312	1,717	3,832	3,218
Office supplies	28,862	3,581	1,288	33,731	27,307
Other expenses	9,252	6,714	595	16,561	18,977
Postage	2,646	442	310	3,398	5,204
Printing	1,038	49	30	1,117	2,448
Professional fees	68,127	20,319	34,281	122,727	66,471
Program supplies	4,890	-	-	4,890	12,533
Property and sales tax	32,257	796	138	33,191	25,966
Rent	9,070	2,268	24	11,362	29,913
Specific assistance	1,165,418	-	1,800	1,167,218	602,783
Telephone	28,012	3,724	1,969	33,705	41,784
Training and development	11,192	3,322	480	14,994	9,354
Travel and transportation	15,407	1,477	873	17,757	17,358
Utilities	129,174	3,707	2,170	135,051	105,508
	<u>2,879,836</u>	<u>280,962</u>	<u>337,897</u>	<u>3,498,695</u>	<u>3,013,889</u>
Depreciation	271,026	5,837	3,531	280,394	245,130
Total expenses	<u>\$ 3,150,862</u>	<u>\$ 286,799</u>	<u>\$ 341,428</u>	<u>\$ 3,779,089</u>	<u>\$ 3,259,019</u>

See accompanying notes to financial statements.

For The Year Ended June 30, 2010

1. *Business and Summary of Significant Accounting Policies*

Organization

Adopt-A-Family of the Palm Beaches, Inc. (the "Organization") was incorporated in November 1984, as a not-for-profit corporation under Florida law. The Organization 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. Some of the programs offered by the Organization include:

Project UpLift

The Project UpLift program provides short-term (up to three months) assistance to families with children who are at risk of homelessness. The program targets families who are experiencing a situational crisis such as a job layoff, unemployment, illness or divorce. Those entering the program are taught problem-solving skills and how to find solutions for problems based on available identifiable resources.

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

The Project S.A.F.E. program provides transitional housing and support services (for up to 24 months) to homeless families and their children. Support services provided for each family include budgeting, case management, job training, daycare assistance, support groups, family and individual counseling and an after-school/out-of-school program for school-aged children.

Homeless Intervention Program (HIP)

The Homeless Intervention Program (HIP) provides homeless families residing in emergency shelters or transitional housing facilities with the resources necessary to move into permanent housing. Eligible families must be housing ready and able to maintain self-sufficiency.

Family Empowerment

The Family Empowerment program links families who are experiencing financial difficulties through no fault of their own with "adopters" such as businesses, service clubs, churches and private individuals who support the family emotionally and assist financially for a period of one year. During the one-year period, the families complete Family Action Plans, developed with their caseworkers, which lead to self-sufficiency.

Service Enriched Housing (S.E.H.)

The Service Enriched Housing program offers housing to low-income, working-poor families who wish to move into home ownership within two years. The program offers a credit repair plan, first time homebuyers' classes and support services. Rent is calculated based at 30% of the family's gross income, and any additional amount paid above \$400 is placed in escrow to be used for a credit repair or home ownership when they leave the Adopt-A-Family program.

For The Year Ended June 30, 2010

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

Organization, continued

Project GROW

Project GROW is an after-school and out-of-school program for children who reside at Project S.A.F.E. and Service Enriched Housing with the primary goal to bring their education and skill levels up to par with their peers. In addition, this program also teaches emotional, cultural and social skills while providing a safe haven to children who have had none.

Rapid Re-Housing

Rapid Re-Housing is a federally funded program under Title XII of the American Recovery and Reinvestment Act of 2009 (Recovery Act). The goal is to assist persons experiencing homelessness to be quickly re-housed and stabilized. Priority is given to households residing in Emergency Shelters and Transitional Housing. A key goal for Rapid Re-Housing is to shorten the length of stay in shelter. Homeless housing providers identify individuals and families that can benefit from this program. These households are: homeless employed or have other source of income to sustain, earning less than 50% of Area Median Income and not in need of Permanent Supportive Housing. Individuals and families entering the program immediately begin working with a Housing Specialist in an effort to identify safe, affordable housing. Participants work closely with a Family Advocate who helps identify any barriers to sustaining housing

Bridges Program

The Bridges Program, which began in 2008, combines the goal of providing universal access to services with the idea of "one-stop-shopping" by providing families access to all the services they need at a much faster rate. Service recipients are assigned a case manager who oversees and coordinates all care. The program focuses on assisting each client to achieve greater independence and self-sufficiency while promoting the health and well-being of the client and family. Bridges is a collaborative effort of several not-for-profit, governmental, and healthcare agencies and services for residents of Palm Beach County.

Community Land Program

The Organization is operating a Community Land Program (similar to a Community Land Trust), which holds real estate for the purpose of making 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 (See Note 5).

Family Empowerment Coalition

The Family Empowerment Coalition is comprised of 13 local agencies whose goal is to provide a seamless continuum of services that promote family stability and self-sufficiency.

For The Year Ended June 30, 2010

1. Business and Summary of Significant Accounting Policies, continued

Basis of Accounting

The 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.

Financial Statement Presentation

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

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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the 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, 2009, from which the summarized information was derived. Certain 2009 amounts have been reclassified to conform to 2010 classifications.

For The Year Ended June 30, 2010

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 Receivable

Grants receivable are recorded when services have been rendered and the granting authority has been billed. 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.

Promises to Give

Unconditional promises to give are recognized as revenues or gains 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 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.

For The Year Ended June 30, 2010

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

Accrued Absences

Employees may accumulate unused vacation based upon the length of service. All 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 needed.

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.

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 statements 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 allowance, as applicable.

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

Support and Revenue

Support is recognized as an increase in net assets when promised, and revenue is recognized when earned. It is the policy of the Organization to record restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions.

Contributed Services and Goods

In-kind contributions are recorded at their fair market value at the date of donation, if such value is measurable. Contributions of property and equipment to be used in the operation of the Organization are recorded directly as public support.

The Organization relies on volunteers who donate significant time in the advancement of its goals. In accordance with accounting principles generally accepted in the United States of America, the time of non-specialized volunteers is not recorded as in-kind contributions. However, time of those volunteers who contribute specialized services is recorded at fair value. There were no property and equipment or specialized services donated during the year ended June 30, 2010.

For The Year Ended June 30, 2010

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

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Office expenses include expenditures such as office supplies, postage, rent and telephone.

Advertising Costs

Advertising costs are charged to operations when incurred. Total advertising for the year ended June 30, 2010 amounted to \$50 and is reported as advertising and recruitment in the Statement of Functional Expenses.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an Organization other than a private foundation under Section 509(a)(2).

2. **Grants Receivable**

A summary of grants receivable as of June 30, 2010 are as follows:

Palm Beach County	\$ 75,502
Family Central	14,712
Housing and Urban Development (HUD)	277,371
Town of Palm Beach United Way	<u>98,878</u>
Total grants receivable	<u>\$ 466,463</u>

3. **Contributions Receivable**

Contributions are recognized in the period an unconditional promise to give is received. Contributions receivable are recorded at net realizable value, discounted as appropriate to reflect the estimated timing of receipt for contributions due more than one year after the date of receipt. As of June 30, 2010 all remaining balances are expected to be collected in less than one year. The allowance for uncollectible contributions receivable is determined based on management's estimate of what will be collected. The following is a summary of contributions receivable as of June 30, 2010:

Contributions receivable	\$ 28,413
Allowance for uncollectible amounts	<u>(5,700)</u>
Net contributions receivable	<u>\$ 22,713</u>

For The Year Ended June 30, 2010

4. Property and Equipment

Details of the Organization's property and equipment as of June 30, 2010, are as follows:

Land	\$ 589,199
Buildings	3,884,673
Building improvements	57,754
Equipment	393,648
Motor vehicles	<u>131,269</u>
	5,056,543
Less accumulated depreciation	<u>1,952,047</u>
Net property and equipment	<u>\$ 3,104,496</u>

5. Community Land Program

The Organization is operating a Community Land 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 lot donated by the City of Lake Worth located at 505 North K Street. During the current year, the Organization completed the construction of a single-family residence at a total cost of \$196,454.

During 2007, the Organization received another lot donated by the City of Lake Worth located at 1715 3rd Ave North. The lot is currently vacant.

On July 31, 2008 the Organization acquired a residential property located at 633 Barber Avenue for \$149,999. The property was sold during the current year at a net loss of \$74,895.

During 2009, the Organization completed the construction of a nine-unit apartment complex located at 1736 2nd Avenue, which was added to the Community Land Program. 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 unrestricted net assets designated for the Community Land Program as of June 30, 2010, consisted of the following:

Land	\$ 296,669
Building	<u>1,968,238</u>
	2,264,907
Less accumulated depreciation	<u>95,661</u>
Total designated for Community Land Program	<u>\$ 2,169,246</u>

For The Year Ended June 30, 2010

6. Line of Credit

The Organization has a \$350,000 line of credit with PNC Bank (Bank) that is collateralized by the land, buildings, and improvements at 1712 2nd Avenue and 1717 3rd Avenue North. Interest is paid monthly at the Bank's prime rate plus .25%, which was 3.25% as of June 30, 2010. The amount outstanding under the line of credit as of June 30, 2010 was \$195,000.

7. Long-term Debt

The following is a schedule of the Organization's installment obligations:

Note payable Palm Beach County bearing interest of 3% payable in 180 monthly installments of principal and interest of \$1,465	\$ 372,452
Mortgage note payable to National City Bank with adjusted interest of 6.11% for 2009 and adjusted annually thereafter. Payments are interest only until January 30, 2004, then monthly payments of principal and interest until June 30, 2028.	<u>230,884</u>
Total long-term debt	603,336
Less current portion	<u>20,738</u>
Long-term debt	<u>\$ 582,598</u>

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

<u>Year</u>	<u>Amount</u>
2011	\$ 20,738
2012	21,113
2013	22,494
2014	23,434
2015	24,418
Thereafter	<u>491,139</u>
	<u>\$ 603,336</u>

For The Year Ended June 30, 2010

7. Long-term Debt, continued

Palm Beach County Note

The note payable to Palm Beach County is payable in monthly principal and interest installments of \$1,465 commencing January 1, 2001 and ending December 15, 2015. The remaining balance of the indebtedness created under this note shall be computed by deducting from the principal sum of this note an amount defined as the "forgivable sum" which reflects certain forgiveness by the County of the debt created. Such forgiveness is conditioned on the Organization's continued compliance with the terms of the Home Rental Program Assistance and Loan Agreement and continued maintenance of the property as affordable housing. The forgivable sum shall be equal to one-half of the original loan amount or \$212,093.

Starting in April of 2005, the monthly payments were deferred unless the S.A.F.E. program was operating at a surplus. Since this program was not operating at a surplus, all payments for the year ended June 30, 2010 were deferred.

8. Restrictions on Net Assets

Unexpended temporarily restricted net assets are restricted for the following purposes as of June 30, 2010:

Project UpLift	\$ 20,000
Project Grow	34,400
Rapid Re-housing	41,600
Community Land Program	34,113
Holiday/Season-to-Share	<u>13,331</u>
Total temporarily restricted net assets	<u>\$ 143,444</u>

9. 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, 2010 are as follows:

Project UpLift	\$ 175,236
Project Safe	272,719
Family Empowerment Coalition	129,351
Project Grow	129,885
Rapid Re-housing	35,400
Bridges Program	46,191
Community Land Program	105,927
Holiday/Season to Share	<u>38,246</u>
Total net assets released from restrictions	<u>\$ 932,955</u>

For The Year Ended June 30, 2010

10. Special Events

The Organization sponsored several special events during the year. Special event revenues and expenses for the year ended June 30, 2010 were as follows:

	<u>Revenues</u>	<u>Direct Expenses</u>	<u>Net</u>
Tree Lighting	\$ 331,797	\$ 43,889	\$ 287,908
Season to Share	35,554	22,223	13,331
Young Friends	54,084	24,768	29,316
Golf Tournament	45,925	15,935	29,990
Others	<u>80,411</u>	<u>83,534</u>	<u>(3,123)</u>
Total	<u>\$ 547,771</u>	<u>\$ 190,349</u>	<u>\$ 357,422</u>

11. Employee Pension Plan and Other Employee Benefits

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code. To be eligible to participate, employees must be at least 21 years of age and have completed one year of service with a minimum of 2,000 hours in the previous year. Under the plan, employees may contribute a specified percentage of their salary or a fixed dollar amount to the plan. The Organization contributes 2% of an eligible employee's annual salary to the plan. The Organization's contributions to the plan for the year ended June 30, 2010 was \$19,681.

12. Lease Commitments

The Organization has a thirty-six month operating lease for copiers that commenced on March 13, 2008. Total lease expense, including maintenance and copier supply fees, for the year ended June 30, 2010 was \$20,887 and is included in office supplies in the Statement of Functional Expenses. The following is a schedule of future minimum lease payments under the operating lease:

<u>Year</u>	<u>Amount</u>
2011	\$ 18,951
2012	12,340
2013	10,136
2014	<u>8,447</u>
	<u>\$ 49,874</u>

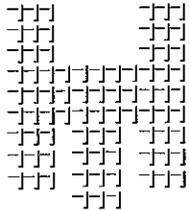
13. Concentrations

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, 2010, the Organization had approximately \$340,200 in excess of FDIC insured limits. 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.

For The Year Ended June 30, 2010

14. Subsequent Events

Management has evaluated subsequent events through October 18, 2010, the date on which the financial statements were available to be issued, and determined there were no events to disclose in these financial statements.



Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

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

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

We have audited the financial statements of Adopt-A-Family of the Palm Beaches, Inc., as of and for the year ended June 30, 2010, and have issued our report thereon dated October 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-01 that we consider to be significant deficiencies in internal control over financial reporting. 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.

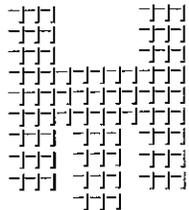
Compliance and Other Matters

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

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

Holyfield & Thomas, LLC

West Palm Beach, Florida
October 18, 2010



Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

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

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

Compliance

We have audited the compliance of Adopt-A-Family of the Palm Beaches, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a material effect on its major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Adopt-A-Family of the Palm Beaches, Inc.'s management. Our responsibility is to express an opinion on Adopt-A-Family of the Palm Beaches, Inc.'s compliance based on our audit.

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. Our audit does not provide a legal determination on Adopt-A-Family of the Palm Beaches, Inc.'s compliance with those requirements.

In our opinion, Adopt-A-Family of the Palm Beaches, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

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 requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Adopt-A-Family of the Palm Beaches, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Holyfield & Thomas, LLC

West Palm Beach, Florida
October 18, 2010

For The Year Ended June 30, 2010

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance on major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Major programs:	
CFDA Number(s)	14.257
Name of Federal Program or Cluster:	U.S. Department of Housing and Urban Development - Office of the Secretary Homelessness Prevention and Rapid Re-housing Program

Major programs:	
CFDA Number(s)	97.024
Name of Federal Program or Cluster:	U.S. Department of Homeland Security - Federal Emergency Management Agency (FEMA) Emergency Food and Shelter Program

Dollar Threshold used to distinguish between type A and type B programs:	\$ 300,000
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Auditee qualified as a low-risk auditee?	No
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For The Year Ended June 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

<i>Finding</i>	<i>2010-01 Refundable Advances – Significant Deficiency</i>
<i>Criteria</i>	Revenues from grants received on a cost reimbursement basis are deemed earned and recognized in the statement of activities when expenditures are made for the purpose specified.
<i>Condition</i>	The Organization received advances from two grantors under a cost reimbursement basis. These funds were recorded as revenue when they were received.
<i>Cause</i>	Some cost reimbursement grants provide funds in advance of the expenditure and do not require an invoice from the Organization. Once such advance funds were received, they were recorded as income in anticipation of full expenditure. As of June 30, 2010, the balance of unused funds was not reclassified and reported as a refundable advance.
<i>Effect</i>	The revenue recognized during the year ended June 30, 2010, was overstated by the amount of unexpended funds.
<i>Recommendation</i>	We recommend that management implement procedures to identify reimbursement grants and coordinate the timing of income recognition with eligible expenses.
<i>Management's response</i>	Management agrees with the finding and has implemented procedures to properly account for reimbursement grant funding.

SECTION III – FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.



**CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2010**

U.S. Department of Housing and Urban Development
and U.S. Department of Homeland Security

Adopt-A-Family of the Palm Beaches, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2010.

Name and address of independent public accounting firm:
Holyfield & Thomas, LLC
125 Butler Street
West Palm Beach, FL 33407-6105

Audit period: June 30, 2010

The findings from the June 30, 2010 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

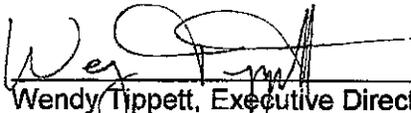
2010-01 Refundable Advances – Significant Deficiency

Recommendation: Management should implement procedures to identify reimbursement grants and coordinate the timing of income recognition with eligible expenses.

Action Taken: We concur with the recommendation, and our staff has already (as of the date of this letter) implemented procedures to properly account for reimbursement grant funding.

If the Department of Housing and Urban Development and Department of Homeland Security have questions regarding this plan, please call Wendy Tippett, Executive Director at (561) 253-1361.

Sincerely yours,
Adopt-A-Family of the Palm Beaches, Inc.


Wendy Tippett, Executive Director
October 18, 2010

Leaders in helping families help themselves.



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**SUPPLEMENTARY
INFORMATION**

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

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

For the Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor 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		
Project Safe II	14.235 / FL0288B4D050801	\$ 211,009
Bridges to Success	14.235 / FL0275B4D050801	182,864
Passed through from Palm Beach County Housing and Community Development:		
Emergency Shelter Grants Program	14.231 / R2008-1891 R2009-1885	12,133 15,724
U.S. Department of Housing and Urban Development - Office of the Secretary		
Passed through from Palm Beach County Department of Community Services:		
Homelessness Prevention and Rapid Re-housing Program	14.257 / R2009-0799	535,834
U.S. Department of Homeland Security - Federal Emergency Management Agency (FEMA)		
Passed through from United Way:		
Emergency Food and Shelter Program	97.024 / Phase 27 Phase 28	98,304 35,050
Total federal expenditures		<u>\$ 1,090,918</u>

See independent auditor's report.

For The Year Ended June 30, 2010

1. Basis of Presentation

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

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

For the Year Ended June 30, 2010

	Project Grow	Homeless Intervention Program	Project Safe	Service Enriched Housing	Project Uplift
Salaries	\$ 174,179	\$ 23,917	\$ 262,184	\$ 88,188	\$ 129,600
Employee benefit	32,644	4,983	48,972	14,221	27,656
Payroll taxes	14,361	1,944	21,583	7,233	10,476
	<u>221,184</u>	<u>30,844</u>	<u>332,739</u>	<u>109,642</u>	<u>167,732</u>
Advertising and recruitment	280	-	150	13	-
Building maintenance	6,702	-	29,306	13,483	1,001
Direct fund raising costs	3,353	-	-	-	-
Equipment rental	-	-	-	-	-
Food service	3,488	-	-	-	23,983
Insurance expense	12,514	427	22,679	2,587	9,868
Interest	-	-	-	-	-
Membership dues	-	-	114	-	-
Office supplies	11,694	53	4,494	772	2,431
Other expenses	1,201	-	2,181	742	40
Postage	469	-	666	62	429
Printing	72	-	98	13	195
Professional fees	8,786	383	12,464	2,459	7,032
Program supplies	4,890	-	-	-	-
Property and sales tax	332	-	11,015	6,797	276
Rent	-	-	3,401	3,305	2,364
Specific assistance	-	103,200	39,482	40	340,876
Telephone	2,942	-	10,428	2,705	2,684
Training and development	1,765	-	2,451	852	976
Travel and transportation	688	92	4,496	3,402	1,410
Utilities	5,218	-	45,117	39,086	5,245
	<u>285,578</u>	<u>134,999</u>	<u>521,281</u>	<u>185,960</u>	<u>566,542</u>
Depreciation	13,432	-	88,322	71,364	10,826
Total expenses	<u>\$ 299,010</u>	<u>\$ 134,999</u>	<u>\$ 609,603</u>	<u>\$ 257,324</u>	<u>\$ 577,368</u>

See independent auditor's report.

**SCHEDULE OF
PROGRAM EXPENSES**

Family Empowerment Coalition	Bridges Program	Community Land Program	Rapid Rehousing	NSP2	Total Program Expenses
\$ 58,253	\$ -	\$ 16,703	\$ 196,274	\$ 8,308	\$ 957,606
5,628	-	2,076	30,282	690	167,152
4,454	-	1,322	16,698	463	78,534
68,335	-	20,101	243,254	9,461	1,203,292
-	-	-	426	-	869
267	-	6,147	1,953	-	58,859
-	-	-	219	-	3,572
-	-	-	725	-	725
-	-	-	-	-	27,471
2,486	-	3,179	16,305	47	70,092
-	-	8,808	-	-	8,808
265	-	326	98	-	803
2,506	-	935	5,914	63	28,862
-	-	4,879	209	-	9,252
101	-	199	720	-	2,646
16	190	26	428	-	1,038
2,272	-	4,384	12,690	17,657	68,127
-	-	-	-	-	4,890
74	-	13,240	523	-	32,257
-	-	-	-	-	9,070
73,978	177,600	-	430,242	-	1,165,418
806	-	1,488	6,951	8	28,012
120	-	240	1,885	2,903	11,192
587	-	439	3,674	619	15,407
1,166	-	25,113	8,229	-	129,174
152,979	177,790	89,504	734,445	30,758	2,879,836
1,898	-	71,783	13,401	-	271,026
\$ 154,877	\$ 177,790	\$ 161,287	\$ 747,846	\$ 30,758	\$ 3,150,862

See independent auditor's report.