

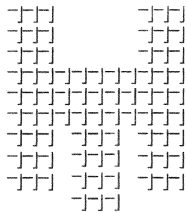
**ADOPT-A-FAMILY
OF THE PALM BEACHES, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2009
(with comparable totals for 2008)**

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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, 2009, 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 2008 financial statements prepared by Nowlen, Holt & Miner, P.A. and, in their report dated October 16, 2008, they 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, 2009, 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 September 29, 2009, on our consideration of Adopt-A-Family of the Palm Beaches, Inc.'s internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of financial assistance and program expenses on pages 20-22 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

West Palm Beach, Florida
September 29, 2009

Holyfield & Thomas, LLC

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

**STATEMENT OF FINANCIAL POSITION
(with comparable totals for 2008)**

As of June 30, 2009

ASSETS	2009	2008
Current assets:		
Cash and cash equivalents - unrestricted	\$ 75,852	\$ 311,699
Cash and cash equivalents - restricted	65,213	72,733
Grants receivable	250,083	532,524
Contributions receivable, net	38,488	81,540
Prepaid expenses	48,333	19,190
Total current assets	477,969	1,017,686
Contributions receivable, net	-	32,092
Other assets	6,768	6,768
Property and equipment, net	3,203,557	3,485,589
Community land program, net	2,310,968	1,143,979
Total assets	\$ 5,999,262	\$ 5,686,114
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 47,237	\$ 50,079
Line of credit	350,000	300,000
Accrued expenses	27,804	52,172
Deferred support	6,336	28,823
Resident deposits and escrow accounts	65,213	72,733
Current portion of loans payable	19,919	35,110
Total current liabilities	516,509	538,917
Non-current liabilities:		
Loans payable	590,882	582,040
Total liabilities	1,107,391	1,120,957
Net assets:		
Unrestricted:		
Equity in fixed assets	2,592,756	2,868,439
Equity in community land program	1,960,968	1,143,324
Designated for contingencies	80,000	80,000
Undesignated	120,777	231,570
Total unrestricted	4,754,501	4,323,333
Temporarily restricted	137,370	241,824
Total net assets	4,891,871	4,565,157
Total liabilities and net assets	\$ 5,999,262	\$ 5,686,114

See accompanying notes to financial statements.

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

**STATEMENT OF ACTIVITIES
(with comparable totals for 2008)**

For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	2009 Totals	2008 Totals
Support and revenue:				
Grants and donations:				
Governmental grants	\$ 1,337,375	\$ -	\$ 1,337,375	\$ 1,680,296
United Way grants	6,085	583,441	589,526	556,006
Contributions	197,179	651,541	848,720	760,818
In-kind donations	96,186	-	96,186	126,919
Total grants and donations	1,636,825	1,234,982	2,871,807	3,124,039
Special events	371,298	27,154	398,452	487,747
Rents	183,330		183,330	170,397
Thrift Sales	91,058	-	91,058	105,427
Other Income	39,216	-	39,216	7,960
Investment Income	1,870	-	1,870	5,324
Total support and revenue	2,323,597	1,262,136	3,585,733	3,900,894
Net assets released from restriction	1,366,590	(1,366,590)	-	-
Expenses:				
Program services	2,652,359	-	2,652,359	2,567,950
General and administrative	268,228	-	268,228	282,348
Fundraising	338,432	-	338,432	297,323
Total expenses	3,259,019	-	3,259,019	3,147,621
Change in net assets	431,168	(104,454)	326,714	753,273
Net assets, beginning of year	4,323,333	241,824	4,565,157	3,811,884
Net assets, end of year	\$ 4,754,501	\$ 137,370	\$ 4,891,871	\$ 4,565,157

See accompanying notes to financial statements.

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

**STATEMENT OF CASH FLOWS
(with comparable totals for 2008)**

For the Year Ended June 30, 2009

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from grants and donations	\$ 3,110,719	\$ 2,546,490
Cash received from special events	239,606	385,638
Cash received from rent	183,330	170,397
Cash received from thrift store	91,058	105,427
Cash paid to suppliers and employees	(2,722,427)	(2,758,645)
Investment and other income	43,353	10,284
Interest paid	<u>(48,697)</u>	<u>(19,157)</u>
Net cash provided by operating activities	<u>896,942</u>	<u>440,434</u>
Cash flows from investing activities:		
Purchase of property and equipment	(7,368)	(41,410)
Purchase of property and construction in progress - Community land program	<u>(1,169,072)</u>	<u>(752,179)</u>
Net cash used in investing activities	<u>(1,176,440)</u>	<u>(793,589)</u>
Cash flows from financing activities:		
Net advances from line of credit	50,000	300,000
Increase (decrease) in resident deposits and escrow accounts	(7,520)	35,979
Proceeds from loans payable	350,000	-
Principal payments of loans payable	<u>(356,349)</u>	<u>(67,853)</u>
Net cash provided by financing activities	<u>36,131</u>	<u>268,126</u>
Change in cash and cash equivalents	(243,367)	(85,029)
Cash and cash equivalents, beginning	<u>384,432</u>	<u>469,461</u>
Cash and cash equivalents, ending	141,065	384,432
Cash and cash equivalents - restricted	<u>(65,213)</u>	<u>(72,733)</u>
Cash and cash equivalents - unrestricted	<u>\$ 75,852</u>	<u>\$ 311,699</u>

See accompanying notes to financial statements.

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

**STATEMENT OF CASH FLOWS
(with comparable totals for 2008)**

For the Year Ended June 30, 2009

	<u>2009</u>	<u>2008</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 326,714	\$ 753,273
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	245,130	222,218
Loss (gain) on sale of property and equipment	2,267	(3,000)
(Increase) decrease in certain assets:		
Grants receivable	282,441	(365,821)
Contributions receivable	75,144	(113,632)
Prepaid expenses	(29,143)	(16,090)
Increase (decrease) in certain liabilities:		
Accounts payable	41,244	(15,586)
Accrued expenses	(24,368)	(49,751)
Deferred support	(22,487)	28,823
Net cash provided by operating activities	<u>\$ 896,942</u>	<u>\$ 440,434</u>

See accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
(with comparable totals for 2008)**

For the Year Ended June 30, 2009

	Program Services	Management and General	Fundraising	2009 Totals	2008 Totals
Salaries	\$ 1,047,077	\$ 150,994	\$ 130,897	\$ 1,328,968	\$ 1,291,132
Employee benefit	172,979	18,894	21,583	213,456	180,751
Payroll taxes	83,517	11,991	10,361	105,869	102,689
	<u>1,303,573</u>	<u>181,879</u>	<u>162,841</u>	<u>1,648,293</u>	<u>1,574,572</u>
Advertising and recruitment	1,173	-	-	1,173	2,063
Building maintenance	65,771	11,700	627	78,098	62,600
Direct fund raising costs	-	-	137,084	137,084	102,109
Equipment rental	3,127	-	-	3,127	5,215
Food service	28,689	-	-	28,689	30,972
Insurance expense	80,308	11,967	7,629	99,904	116,036
Interest	33,818	14,879	-	48,697	19,157
Membership dues	856	1,314	1,048	3,218	4,270
Office supplies	21,897	3,539	1,871	27,307	19,309
Other expenses	10,664	8,101	212	18,977	13,778
Park equipment donation	-	-	-	-	175
Postage	4,010	657	537	5,204	9,349
Printing	1,610	76	762	2,448	8,986
Professional fees	45,774	8,592	12,105	66,471	60,720
Program supplies	12,533	-	-	12,533	25,674
Property and sales tax	25,410	357	199	25,966	25,294
Rent	26,732	3,181	-	29,913	52,942
Specific assistance	602,462	321	-	602,783	629,357
Telephone	37,317	2,930	1,537	41,784	38,280
Training and development	7,960	945	449	9,354	23,769
Travel and transportation	12,852	3,511	995	17,358	15,396
Utilities	100,109	2,611	2,788	105,508	85,380
	<u>2,426,645</u>	<u>256,560</u>	<u>330,684</u>	<u>3,013,889</u>	<u>2,925,403</u>
Depreciation	225,714	11,668	7,748	245,130	222,218
Total expenses	<u>\$ 2,652,359</u>	<u>\$ 268,228</u>	<u>\$ 338,432</u>	<u>\$ 3,259,019</u>	<u>\$ 3,147,621</u>

See accompanying notes to financial statements.

For The Year Ended June 30, 2009

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, 2009

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.

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, 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.

Thrift Store and Boutique

Adopt-A-Family of the Palm Beaches operated a Thrift Store and Boutique. The thrift store received inventory via in-kind donations and donated items are sold at the thrift store, used in the transitional housing programs or given to needy families. As of June, 2009 the Organization elected to discontinue operating the Thrift Store and Boutique.

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.

For The Year Ended June 30, 2009

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

Financial Statement Presentation

The Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-for-Profit Organizations.*" SFAS No. 117 requires that the Organization present information regarding its financial position and activities according to three classifications of net assets described as follows:

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 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, 2008, from which the summarized information was derived. Certain 2008 amounts have been reclassified to conform to 2009 classifications.

Cash and Cash Equivalents

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

For The Year Ended June 30, 2009

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

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.

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, 2009.

For The Year Ended June 30, 2009

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.

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 deferred revenue, 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.

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, 2009 amounted to \$336 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).

For The Year Ended June 30, 2009

2. Grants Receivable

A summary of grants receivable as of June 30, 2009 are as follows:

Palm Beach County	\$ 39,129
Family Central	19,977
Housing and Urban Development (HUD)	26,417
Town of Palm Beach United Way	75,333
Community Foundation	77,291
Others	<u>11,936</u>
Total grants receivable	<u>\$ 250,083</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, 2009 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, 2009:

Contributions receivable	\$ 42,765
Allowance for uncollectible amounts	<u>(4,277)</u>
Net contributions receivable	<u>\$ 38,488</u>

4. Property and Equipment

Details of the Organization's property and equipment as of June 30, 2009, are as follows:

Land	\$ 589,199
Buildings	3,884,673
Building improvements	45,519
Equipment	293,100
Motor vehicles	<u>131,269</u>
	4,943,760
Less accumulated depreciation	<u>1,740,203</u>
Net property and equipment	<u>\$ 3,203,557</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.

For The Year Ended June 30, 2009

5. Community Land Program, continued

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. Construction is currently in process for a residential property. As of June 30, 2009, construction in progress amounted to \$120,513. As of June 30, 2009, the outstanding commitment on the construction contract for this property was \$67,979.

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 is being currently rented to a low-income family.

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, 2009, consisted of the following:

Land	\$ 370,661
Building	1,847,791
Construction in progress	<u>120,513</u>
	2,338,965
Less accumulated depreciation	<u>27,997</u>
Total designated for Community Land Program	<u>\$ 2,310,968</u>

6. Line of Credit

The Organization has a \$350,000 line of credit with Wachovia 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 3.5% as of June 30, 2009. The amount outstanding under the line of credit as of June 30, 2009 was \$350,000.

For The Year Ended June 30, 2009

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>238,349</u>
Total long-term debt	610,801
Less current portion	<u>19,919</u>
Long-term debt	<u>\$ 590,882</u>

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

<u>Year</u>	<u>Amount</u>
2010	\$ 19,919
2011	20,736
2012	21,596
2013	22,494
2014	23,434
Thereafter	<u>502,622</u>
	<u>\$ 610,801</u>

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, 2009 were deferred.

For The Year Ended June 30, 2009

8. Restrictions on Net Assets

Unexpended temporarily restricted net assets are restricted for the following purposes as of June 30, 2009:

Bridges Program	\$ 46,191
Holiday/Season-to-Share	16,023
Project Grow	20,000
Project UpLift	16,667
Community Land Program	<u>38,489</u>
Total temporarily restricted net assets	<u>\$ 137,370</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, 2009 are as follows:

Holiday/Season to Share	\$ 23,473
Project Grow	133,846
Project Safe	145,655
Project UpLift	239,185
Family Empowerment Coalition	90,000
Bridges Program	162,503
Community Land Program	<u>571,928</u>
Total net assets released from restrictions	<u>\$ 1,366,590</u>

10. Special Events

The Organization sponsored several special events during the year. Special event revenues and expenses for the year ended June 30, 2009 were as follows:

	<u>Revenues</u>	<u>Direct Expenses</u>	<u>Net</u>
Tree Lighting	\$ 200,897	\$ 38,438	\$ 162,459
Season to Share	27,154	11,131	16,023
Young Friends	71,845	27,347	44,498
Golf Tournament	46,385	15,068	31,317
Others	<u>52,171</u>	<u>45,100</u>	<u>7,071</u>
Total	<u>\$ 398,452</u>	<u>\$ 137,084</u>	<u>\$ 261,368</u>

For The Year Ended June 30, 2009

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, 2009 was \$19,933.

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, 2009 was \$13,017 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:

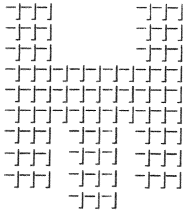
<u>Year</u>	<u>Amount</u>
2010	\$ 10,308
2011	<u>7,731</u>
	<u>\$ 18,039</u>

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, 2009, there was no cash in excess of the FDIC limit. 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. Prior Period Adjustment

During the current year, the Organization changed its accounting policy related to the allocation of Town of Palm Beach United Way grants by adopting Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made. SFAS No. 116, requires that unconditional promises to give be measured at their fair value and recognized as support in the period they are received, even if the donor has restricted their use and the restriction will be met in a future reporting period. As a result, a prior period adjustment of \$37,500 was recorded as of June 30, 2007 to recognize the receivable portion of the 2007-08 allocation. In addition, the June 30, 2008 amounts have been restated to reflect \$75,588 in receivables and \$38,088 in support for the 2008-09 Town of Palm Beach United Way allocation.



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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, FL 33460

We have audited the financial statements of Adopt-A-Family of the Palm Beaches, Inc., as of and for the year ended June 30, 2009, and have issued our report thereon dated September 29, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Adopt-A-Family of the Palm Beaches, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of Adopt-A-Family of the Palm Beaches, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Adopt-A-Family of the Palm Beaches, Inc.'s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Adopt-A-Family of the Palm Beaches, Inc.'s internal control.

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

Compliance and Other Matters

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

West Palm Beach, Florida
September 29, 2009

Holyfield & Thomas, LLC

**SUPPLEMENTARY
INFORMATION**

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

SCHEDULE OF FINANCIAL ASSISTANCE

For the Year Ended June 30, 2009

<u>Supporting Agency and Program Title</u>	<u>Federal</u>	<u>State</u>	<u>County</u>	<u>Total</u>
Palm Beach County, Florida:				
Palm Beach County Housing and Community Development Block Grant	\$ -	\$ -	\$ 33,176	\$ 33,176
Emergency Shelter Grant Program	11,502	-	-	11,502
FAA Grant	-	-	324,410	324,410
Total Palm Beach County	<u>11,502</u>	<u>-</u>	<u>357,586</u>	<u>369,088</u>
Children's Service Council of Palm Beach County:				
Project GROW	-	-	44,831	44,831
Project Bridges	-	-	167,658	167,658
Project Uplift	-	-	-	-
Total Children's Service Council	<u>-</u>	<u>-</u>	<u>212,489</u>	<u>212,489</u>
Family Central, Inc.				
Project GROW	-	-	117,251	117,251
U.S. Department of Housing and Human Development (HUD):				
S.A.F.E. Program	213,992	-	-	213,992
Federal Emergency Management Agency:				
Project UpLift	174,555	-	-	174,555
State of Florida:				
Homeless Assistance Housing Grant	-	250,000	-	250,000
Community Land Program	-	-	-	-
Total financial assistance	<u>\$ 400,049</u>	<u>\$ 250,000</u>	<u>\$ 687,326</u>	<u>\$ 1,337,375</u>

See independent auditor's report.

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

**SCHEDULE OF
PROGRAM EXPENSES**

For the Year Ended June 30, 2009

	Project Grow	Homeless Intervention Program	Project Safe	Service Enriched Housing
Salaries	\$ 180,522	\$ 21,196	\$ 293,981	\$ 82,983
Employee benefit	30,126	3,568	49,776	14,452
Payroll taxes	14,287	1,670	23,544	6,615
	<u>224,935</u>	<u>26,434</u>	<u>367,301</u>	<u>104,050</u>
Advertising and recruitment	525	-	-	-
Building maintenance	1,528	124	26,999	17,390
Equipment rental	978	-	-	-
Food service	3,773	-	47	-
Insurance expense	11,593	1,626	23,008	4,551
Interest	-	-	-	-
Membership dues	119	14	128	35
Office supplies	3,790	336	2,935	4,631
Other expenses	2,302	-	244	377
Postage	695	95	889	249
Printing	110	15	151	43
Professional fees	6,559	800	10,195	2,688
Program supplies	7,190	-	-	125
Property and sales tax	271	41	9,661	2,626
Rent	-	-	-	-
Specific assistance	-	78,594	73,524	40
Telephone	2,426	349	9,447	2,624
Training and development	2,097	10	898	1,112
Travel and transportation	943	130	1,284	1,156
Utilities	3,875	557	33,955	33,497
	<u>273,709</u>	<u>109,125</u>	<u>560,666</u>	<u>175,194</u>
Depreciation	7,086	4,863	92,421	63,577
Total expenses	<u>\$ 280,795</u>	<u>\$ 113,988</u>	<u>\$ 653,087</u>	<u>\$ 238,771</u>

See independent auditor's report.

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

**SCHEDULE OF
PROGRAM EXPENSES**

Project Uplift	Family Empowerment Coalition	Bridges Program	Community Land Program	Thrift Store	Total Program Expenses
\$ 139,823	\$ 49,541	\$ 211,901	\$ 28,883	\$ 38,247	\$ 1,047,077
25,879	8,639	28,009	2,960	9,570	172,979
11,661	3,431	16,904	2,229	3,176	83,517
177,363	61,611	256,814	34,072	50,993	1,303,573
-	-	312	-	336	1,173
2,665	291	10,808	3,632	2,334	65,771
-	-	-	-	2,149	3,127
24,869	-	-	-	-	28,689
8,557	3,444	15,156	9,751	2,622	80,308
-	-	-	33,818	-	33,818
79	231	167	63	20	856
2,741	648	6,116	304	396	21,897
105	827	3,509	148	3,152	10,664
584	216	1,000	145	137	4,010
93	36	1,086	16	60	1,610
5,340	1,966	15,852	979	1,395	45,774
-	-	5,218	-	-	12,533
229	90	485	6,954	5,053	25,410
2,075	-	-	-	24,657	26,732
435,161	14,990	-	153	-	602,462
10,967	1,217	8,266	678	1,343	37,317
110	-	3,733	-	-	7,960
2,187	740	2,714	19	3,679	12,852
4,535	1,288	5,271	11,886	5,245	100,109
677,660	87,595	336,507	102,618	103,571	2,426,645
18,540	2,636	8,054	25,990	2,547	225,714
\$ 696,200	\$ 90,231	\$ 344,561	\$ 128,608	\$ 106,118	\$ 2,652,359

See independent auditor's report.