

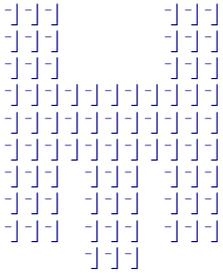
**PALM BEACH COUNTY  
FOOD BANK, INC.**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

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

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5-6
Statement of Functional Expenses	7
<b>NOTES TO FINANCIAL STATEMENTS</b>	8-13



# Holyfield & Thomas, LLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Palm Beach County Food Bank, Inc.  
Lantana, Florida

We have audited the accompanying financial statements of Palm Beach County Food Bank, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palm Beach County Food Bank, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the June 30, 2014 financial statements, and our report dated November 5, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Holyfield & Thomas, LLC*

West Palm Beach, Florida  
November 11, 2015

## PALM BEACH COUNTY FOOD BANK, INC.

## STATEMENT OF FINANCIAL POSITION

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Totals</u>	<u>2014 Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 809,771	\$ 191,519	\$ 1,001,290	\$ 920,470
Grants and contributions receivable	36,317	-	36,317	-
Food inventory	558,484	-	558,484	536,248
Prepaid expenses	3,982	-	3,982	8,125
	<u>1,408,554</u>	<u>191,519</u>	<u>1,600,073</u>	<u>1,464,843</u>
Total current assets				
Other assets	32,802	-	32,802	48,074
Property and equipment, net	478,664	-	478,664	335,867
	<u>478,664</u>	<u>-</u>	<u>478,664</u>	<u>335,867</u>
Total assets	<u>\$ 1,920,020</u>	<u>\$ 191,519</u>	<u>\$ 2,111,539</u>	<u>\$ 1,848,784</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable	\$ 5,944	\$ -	\$ 5,944	\$ 27,260
Accrued expenses	39,515	-	39,515	33,112
Refundable advances	50,000	-	50,000	-
	<u>95,459</u>	<u>-</u>	<u>95,459</u>	<u>60,372</u>
Total liabilities				
Net assets:				
Unrestricted	1,824,561	-	1,824,561	1,430,222
Temporarily restricted	-	191,519	191,519	358,190
	<u>1,824,561</u>	<u>191,519</u>	<u>2,016,080</u>	<u>1,788,412</u>
Total net assets				
Total liabilities and net assets	<u>\$ 1,920,020</u>	<u>\$ 191,519</u>	<u>\$ 2,111,539</u>	<u>\$ 1,848,784</u>

See accompanying notes to financial statements.

## PALM BEACH COUNTY FOOD BANK, INC.

## STATEMENT OF ACTIVITIES

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Totals</u>	<u>2014 Totals</u>
Support and revenues:				
Governmental support	\$ 395,000	\$ -	\$ 395,000	\$ 367,600
Foundation support	865,858	231,850	1,097,708	1,120,153
United Way allocation	297,792	-	297,792	211,685
Other contributions	382,703	33,785	416,488	308,009
Donated goods	8,638,588	-	8,638,588	8,086,826
Investment income	459	-	459	23
Other income	277	-	277	4,740
	<u>10,580,677</u>	<u>265,635</u>	<u>10,846,312</u>	<u>10,099,036</u>
Net assets released from restrictions	<u>432,306</u>	<u>(432,306)</u>	<u>-</u>	<u>-</u>
	<u>11,012,983</u>	<u>(166,671)</u>	<u>10,846,312</u>	<u>10,099,036</u>
Expenses:				
Program services	10,310,891	-	10,310,891	9,161,831
Supporting services:				
Management and general	64,413	-	64,413	86,400
Fundraising	243,340	-	243,340	218,568
	<u>10,618,644</u>	<u>-</u>	<u>10,618,644</u>	<u>9,466,799</u>
Loss on sale of asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,084</u>
Change in net assets	394,339	(166,671)	227,668	624,153
Net assets, beginning of year	<u>1,430,222</u>	<u>358,190</u>	<u>1,788,412</u>	<u>1,164,259</u>
Net assets, end of year	<u>\$ 1,824,561</u>	<u>\$ 191,519</u>	<u>\$ 2,016,080</u>	<u>\$ 1,788,412</u>

See accompanying notes to financial statements.

## PALM BEACH COUNTY FOOD BANK, INC.

## STATEMENT OF CASH FLOWS

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

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from:		
Governmental support	\$ 395,000	\$ 367,600
Private gifts and grants	1,825,671	1,799,847
Cash paid to vendors and employees	(1,900,286)	(1,583,413)
Other income	<u>736</u>	<u>4,763</u>
Net cash provided by operating activities	<u>321,121</u>	<u>588,797</u>
Cash flows from investing activities:		
Increase in other assets	-	(22,872)
Purchase of property and equipment	(240,301)	(102,033)
Proceeds from sale of asset	<u>-</u>	<u>1,000</u>
Net cash used in investing activities	<u>(240,301)</u>	<u>(123,905)</u>
Net change in cash	80,820	464,892
Cash and cash equivalents, beginning of year	<u>920,470</u>	<u>455,578</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,001,290</u></u>	<u><u>\$ 920,470</u></u>

*See accompanying notes to financial statements.*

## PALM BEACH COUNTY FOOD BANK, INC.

## STATEMENT OF CASH FLOWS

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

	<u>2015</u>	<u>2014</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 227,668	\$ 624,153
Adjustments to reconcile change in net cash to net cash provided by operating activities:		
Depreciation	112,776	80,521
Loss on sale of asset	-	8,084
(Increase) decrease in certain assets:		
Grants and contributions receivable	(36,317)	160,000
Food inventory	(22,236)	(289,773)
Prepaid expenses	4,143	(7,528)
Increase in certain liabilities:		
Accounts payable	(21,316)	(1,951)
Accrued expenses	6,403	15,291
Refundable advances	50,000	-
Net cash provided by operating activities	<u>\$ 321,121</u>	<u>\$ 588,797</u>

*See accompanying notes to financial statements.*

**PALM BEACH COUNTY FOOD BANK, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

***For the Year Ended June 30, 2015***

***(with comparable totals for 2014)***

	Program Services	Supporting Activities		2015 Totals	2014 Totals
		Management and General	Fundraising		
Salaries	\$ 712,446	\$ 36,254	\$ 104,823	\$ 853,523	\$ 695,567
Payroll taxes	52,262	2,660	7,689	62,611	55,104
Employee benefits	85,614	4,389	12,693	102,696	74,465
<b>Total salaries and related benefits</b>	<b>850,322</b>	<b>43,303</b>	<b>125,205</b>	<b>1,018,830</b>	<b>825,136</b>
Board expenses	323	-	-	323	99
Conference, meals and travel	19,273	980	2,836	23,089	17,252
Contract services	19,191	653	-	19,844	24,938
Depreciation expense	111,532	120	1,124	112,776	80,521
Dues and subscriptions	2,270	398	1,216	3,884	2,977
Insurance	38,522	265	661	39,448	33,921
Marketing and public relations	2,480	-	94,141	96,621	65,666
Occupancy expenses	197,744	2,264	5,644	205,652	192,784
Office expenses	28,526	7,482	6,649	42,657	35,640
Other expenses	3,046	-	-	3,046	1,429
Professional fees and contracts	18,642	8,300	-	26,942	28,386
Purchased food distributed	268,735	-	-	268,735	171,940
Technology expenses	1,297	-	3,991	5,288	2,473
Telephone, fax, and internet	12,730	648	1,873	15,251	10,974
Truck, freight and fuel costs	78,811	-	-	78,811	88,015
Warehouse operating expenses	33,534	-	-	33,534	32,981
<b>Total expenses before donated goods</b>	<b>1,686,978</b>	<b>64,413</b>	<b>243,340</b>	<b>1,994,731</b>	<b>1,615,132</b>
Donated goods distributed	8,623,913	-	-	8,623,913	7,851,667
<b>Total functional expenses</b>	<b>\$ 10,310,891</b>	<b>\$ 64,413</b>	<b>\$ 243,340</b>	<b>\$ 10,618,644</b>	<b>\$ 9,466,799</b>

*See accompanying notes to financial statements.*

*For the Year Ended June 30, 2015*

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

*Organization*

The Palm Beach County Food Bank, Inc. (the "Food Bank") was established in 2012. The Food Bank is committed to fighting hunger and improving food security in Palm Beach County by working in partnership with local organizations. The Food Bank collects, recovers and distributes food to food pantries, soup kitchens and homeless shelters in Palm Beach County at no cost. During the 2014-2015 fiscal year, it distributed approximately 5 million pounds of food to 131 agencies on the front-line of hunger relief from Tequesta to Boca Raton and west to Belle Glade and Pahokee. In addition, the Food Bank operates a Weekend Nutrition Program to assist close to 2,300 children and families during the summer, helps more than 750 families per year receive federal food benefit assistance, and provides a nutrition education program in partnership with the Palm Beach County Extension/University of Florida Institute for Food and Agriculture Sciences.

*Financial Statement Presentation*

The Food Bank has adopted FASB Accounting Standard Codification (FASB ASC) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under the standard, Food Bank is required to report information regarding its activities according to three classifications of net assets: unrestricted, temporarily restricted, and permanently restricted.

The following paragraphs describe the three classes of net assets:

Unrestricted Net Assets: this classification includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transaction (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted class.

Temporarily Restricted Net Assets: this classification includes those net assets whose use by the Food Bank 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 Food Bank in perpetuity. Permanently restricted net assets increase when the Food Bank receives contributions for which donor-imposed restrictions limiting the Food Bank use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Food Bank meeting certain requirements. The Food Bank had no permanently restricted net assets as of June 30, 2015.

*Basis of Accounting*

The accompanying financial statements of the Food Bank 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, 2015

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

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

*Fair Value of Financial Instruments*

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

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

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

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

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

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

*Cash and Cash Equivalents*

For purposes of statement of cash flows, the Food Bank considers its cash and cash equivalents to include only cash on hand, cash in checking accounts, and certain savings accounts. Cash accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time balances of these cash accounts exceed federally insured limits. The Food Bank has not experienced any loss on such accounts and management believes the Food Bank is not exposed to any significant credit risk arising from such balances. As of June 30, 2015, there was approximately \$596,000 in excess of the FDIC limit.

*For the Year Ended June 30, 2015*

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

*Grants and Contributions 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.

Unconditional promises to give are recognized as support in the period received. If outstanding contributions are expected to be collected in less than one year, they are recorded at the estimated amount to be ultimately realized. If outstanding contributions are to be paid to the Food Bank over a period of years, they are recorded at the present value of their estimated cash flows using an appropriate discount rate. There were no contributions receivable due beyond one year as of June 30, 2015.

*Food Inventory*

Food inventory consists of food and other grocery products that are valued at lower of cost or market or, if donated, at an estimated fair value. The estimated fair value used during the year was \$1.72 per pound, which is the average wholesale value as determined by a national network of food banks. As of June 30, 2015, food inventory consisted of approximately \$82,000 of purchased food and \$476,500 of donated foods (277,000 pounds).

*Property and Equipment*

Acquisitions of property and equipment in excess of \$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. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, ranging from 3 to 10 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.

*Refundable Advances*

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

*Contributions*

Contributions are generally available for unrestricted use in the year received unless specifically restricted by the donor. Unrestricted contributions of cash and donated assets, as well as unconditional promises to give, are recorded as received.

***For the Year Ended June 30, 2015***

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

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

*Donated Goods and Services*

The Food Bank reports the fair value of contributed food inventory over which it has control (i.e., variance power) as unrestricted public support and, shortly thereafter, as expense when granted to member food banks. During the year ended June 30, 2015, Food Bank distributed approximately 5,020,000 pounds of donated food received from approximately 339 donors and their subsidiaries.

In addition, many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria under FASB ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*, were not met. It is impracticable to determine the fair market value of all donated services by the volunteers of the Food Bank beyond those required to be recognized as income. However, a substantial number of volunteers donate significant amounts of their time in the Food Bank's program services and fundraising campaigns.

*Functional Allocation of Expenses*

The costs of providing various programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Costs that are not directly associated with providing specific services are allocated based upon the relative time spent by employees of the Food Bank providing those services.

*Advertising*

Advertising costs are expensed when incurred and are included within marketing and public relations in the Statement of Functional Expenses. Food Bank did not incur any advertising costs during the year ended June 30, 2015.

*Income Taxes*

The Food Bank is a not-for-profit corporation that is exempt from income taxes under the Internal Revenue Code Section 501(c)(3) and comparable state law as a charitable organization, whereby only unrelated business income, as defined by the Code Section 509(a)(1) is subject to federal income tax. The Food Bank currently has no unrelated business income and, accordingly, no provision for income taxes has been recorded.

***For the Year Ended June 30, 2015***

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

*Income Taxes, continued*

The Food Bank follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This pronouncement seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a more likely than not threshold. The Food Bank assesses its income tax positions based on management's evaluation of the facts, circumstances and information available at the reporting date. The Food Bank uses the prescribed more likely than not threshold when making its assessment. There are currently no open federal or state income tax years under audit.

*Prior Year Summarized 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 Food Bank's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**2. Other Assets**

Other current assets as of June 30, 2015 consisted of utilities, rent, lease and other deposits.

**3. Property and Equipment**

Property and equipment as of June 30, 2015 consisted of the following:

Furniture and equipment	\$ 58,510
Leasehold improvements	104,762
Motor vehicles	457,543
Warehouse equipment	<u>91,111</u>
	711,926
Less accumulated depreciation	<u>233,262</u>
Total property and equipment	<u>\$ 478,664</u>

**4. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses as of June 30, 2015, consist of vendor payments due for general expenses and accrued salaries and vacation time.

***For the Year Ended June 30, 2015***

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**5. Restricted Net Assets**

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

Nutrition Driven	\$ 99,971
Weekend Nutrition	<u>91,548</u>
Total restricted net assets	<u>\$ 191,519</u>

**6. Lease Obligations**

The Food Bank leases its office and warehouse space in Lantana, Florida, under a non-cancelable lease arrangement that extends through August 2015. The lease requires minimum rentals of \$8,125 per month.

The Food Bank also leases an additional warehouse space in Lantana, Florida, under a non-cancelable lease arrangement that extends through September 2016. The lease requires minimum rentals of \$3,342 per month.

Rent expense for the year ended June 30, 2015 amounted to \$127,880, which is reported within occupancy expenses in the Statement of Functional Expenses. Future lease commitments in years subsequent to June 30, 2015 are as follow:

Year Ended	
<u>June 30,</u>	
2016	\$ 71,706
2017	<u>17,702</u>
	<u>\$ 89,408</u>

**7. Subsequent Events**

Management has evaluated subsequent events through November 11, 2015, the date on which the financial statements were available to be issued, and determined there were no further disclosures required to be presented in these financial statements.