PALM BEACH HABILITATION CENTER, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

For the Year Ended June 30, 2019
(*with comparable totals for 2018*)

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Palm Beach Habilitation Center, Inc.
Lake Worth, Florida

We have audited the accompanying financial statements of Palm Beach Habilitation Center, Inc. (a not-for-profit corporation) which comprise the statement of financial position as of June 30, 2019, 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 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 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 Habilitation Center, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional revenues and expenses on pages 23-26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Palm Beach Habilitation Center, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2020, on our consideration of Palm Beach Habilitation Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Palm Beach Habilitation Center, Inc.'s internal control over financial reporting and compliance.

Holyfield & Thomas, LLC

West Palm Beach, Florida
May 5, 2020

PALM BEACH HABILITATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

As of June 30, 2019 ***(with comparable totals for 2018)***

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
ASSETS				
Current assets:				
Cash and cash equivalents	$ 67,665	$ -	$ 67,665	$ 380,559
Investments	1,384,299	-	1,384,299	1,443,416
Government agency receivables, net	478,119	-	478,119	509,126
Workshop receivables, net	129,753	-	129,753	250,185
Client and other receivables, net	22,683	-	22,683	32,985
Prepaid expenses and other assets	88,403	11,859	100,262	43,023
Total current assets	2,170,922	11,859	2,182,781	2,659,294
Agency cash	112,995	-	112,995	94,956
Security deposit	36,000	-	36,000	36,000
Due (to) from other funds	(412,765)	412,765	-	-
Property and equipment, net	4,802,983		4,802,983	4,186,437
Investment in deferred compensation plan	206,398		206,398	226,130
Total assets	$ 6,916,533	$ 424,624	$ 7,341,157	$ 7,202,817
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 198,302	$ -	$ 198,302	$ 83,903
Accrued salaries and related expenses	286,325	-	286,325	264,894
Other accrued liabilities	30,501	-	30,501	32,062
Operating line of credit	200,073	-	200,073	243,453
Construction line of credit	392,740	-	392,740	395,000
Total current liabilities	1,107,941	-	1,107,941	1,019,312
Agency payable	112,995	-	112,995	94,956
Obligations under deferred compensation plan	206,398	-	206,398	226,130
Total liabilities	1,427,334	-	1,427,334	1,340,398
Net assets:				
Without donor restrictions:				
Board designated	1,758,120	-	1,758,120	1,758,120
Undesignated	3,731,079	-	3,731,079	3,839,161
With donor restrictions	-	424,624	424,624	265,138
Total net assets	5,489,199	424,624	5,913,823	5,862,419
Total liabilities and net assets	$ 6,916,533	$ 424,624	$ 7,341,157	$ 7,202,817

See accompanying notes to financial statements.

For the Year Ended June 30, 2019 ***(with comparable totals for 2018)***

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
Support and revenue:				
Fees and grants - governmental agencies	$ 3,325,739	$ -	$ 3,325,739	$ 2,837,494
PBC BOCC (FAA-programs 1212/1434)	289,131	-	289,131	289,462
Palm Beach County School Board grant	225,000	-	225,000	225,000
Contributions, gifts and special events	1,466,820	159,486	1,626,306	1,432,667
In-kind contributions	169,355	-	169,355	35,473
Sales, cafeteria and thrift store	281,230	-	281,230	194,805
Vocational activities	765,385	-	765,385	865,133
United Way grant allocations	295,000	-	295,000	331,349
Investment income, net	69,391	-	69,391	51,287
Gain on sale of property	-		-	35,962
Realized and change in unrealized gain (loss) in investments, net	(26,838)	-	(26,838)	31,201
Client fees	216,915	-	216,915	201,429
Other revenue	10,095	-	10,095	13,136
Total support and revenue	7,087,223	159,486	7,246,709	6,544,398
Net assets released from restrictions	-	-	-	-
Expenses:				
Program services	6,356,636	-	6,356,636	5,868,734
Supporting services:				
Thrift store and fundraising	543,309	-	543,309	538,764
Administration	295,360	-	295,360	280,816
Total supporting services	838,669	-	838,669	819,580
Total expenses	7,195,305	-	7,195,305	6,688,314
Change in net assets	(108,082)	159,486	51,404	(143,916)
Net assets, beginning of year, as restated	5,597,281	265,138	5,862,419	6,006,335
Net assets, ending of year	$ 5,489,199	$ 424,624	$ 5,913,823	$ 5,862,419

See accompanying notes to financial statements.

PALM BEACH HABILITATION CENTER, INC. **STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2019 ***(with comparable totals for 2018)***

	2019	2018
Cash flows from operating activities:		
Cash received from fees and grants - governmental agencies	$ 3,424,317	$ 3,155,933
Cash received from contributions, gifts and special events	1,626,306	1,432,667
Cash received from sales, cafeteria and thrift store	281,230	194,805
Cash received from vocational activities	885,817	734,200
Cash received from other grants and revenues	522,010	545,914
Cash paid for program services and supporting services	(6,842,940)	(6,424,100)
Investment income received, net	69,391	51,287
Interest paid	(16,183)	(7,870)
Net cash used in operating activities	(50,052)	(317,164)
Cash flows from investing activities:		
Purchase of investments	(1,727,064)	(1,039,127)
Sale of investments	1,759,343	1,628,419
Purchase of property and equipment (including construction in progress)	(685,043)	(732,469)
Proceeds from sale of property	-	50,000
Security deposit for construction	-	(36,000)
Net cash used in investing activities	(652,764)	(129,177)
Cash flows from financing activities:		
(Payments)/advances on operating line of credit, net	(43,380)	243,453
(Payments)/advances on construction line of credit	(2,260)	395,000
Proceeds from contributions for construction in progress projects	435,562	61,557
Net cash (used in)/provided by financing activities	389,922	700,010
Change in cash and cash equivalents	(312,894)	253,669
Cash and cash equivalents, beginning of year	380,559	126,890
Cash and cash equivalents, end of year	$ 67,665	$ 380,559

See accompanying notes to financial statements.

PALM BEACH HABILITATION CENTER, INC. **STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2019 ***(with comparable totals for 2018)***

	2019	2018
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	$ 51,404	$ (143,916)
Adjustments to reconcile change in net assets to cash flows used in operating activities:		
Depreciation	209,966	197,914
Realized and change in unrealized (gain) loss, net	26,838	(31,201)
Loss on disposal of fixed assets	-	1,843
Gain on sale of property	-	(35,962)
In-kind donation of fixed asset	(141,469)	(7,587)
Increase in allowance for doubtful accounts	21,300	-
(Increase) decrease in certain assets:		
Government agency receivables	9,707	(119,297)
Workshop receivables	120,432	(130,933)
Client and other receivables	10,302	(15,169)
Prepaid expenses and other assets	(57,239)	7,511
Increase (decrease) in certain liabilities:		
Accounts payable	114,399	14,331
Accrued salaries and related expenses	21,431	4,261
Other accrued liabilities	(1,561)	2,598
Contributions for construction in progress projects	(435,562)	(61,557)
Net cash used in operating activities	$ (50,052)	$ (317,164)

See accompanying notes to financial statements.

For the Year Ended June 30, 2019 ***(with comparable totals for 2018)***

		Supporting Services			
	Program Services	Thrift Store and Fundraising	Admin-istration	2019 Totals	2018 Totals
Salary and wages	$ 2,865,074	$ 195,441	$ 667,076	$ 3,727,591	$ 3,492,851
Client salaries	450,759	-	11,304	462,063	462,079
Payroll taxes	273,976	16,507	54,633	345,116	326,631
Employee benefits	554,869	29,569	99,330	683,768	641,813
	4,144,678	241,517	832,343	5,218,538	4,923,374
Advertising	3,862	2,404	1,425	7,691	9,847
Bad debts	24,682	-	-	24,682	-
Building maintenance and supplies	108,100	6,577	64,408	179,085	186,954
Equipment repair and maintenance	9,217	60	4,346	13,623	6,581
Fees, dues and reference materials	11,339	11,573	40,380	63,292	53,424
Freight and related expense	24,928	117	988	26,033	25,372
Fundraising venue and related	-	90,606	-	90,606	94,234
Insurance	201,968	12,269	40,861	255,098	232,403
Interest	23	225	15,935	16,183	7,870
Legal and audit fees	775	-	92,636	93,411	52,100
Material purchases & program supplies	263,847	68,727	5,515	338,089	271,325
Outside services	9,800	5,203	158,034	173,037	128,969
Printing, computer, and office supplies	22,045	5,091	36,247	63,383	70,945
Rent	25,734	754	15,903	42,391	49,610
Security service	20,146	581	2,811	23,538	16,573
Staff travel, screening, & development	78,515	3,116	11,177	92,808	101,390
Telephone	51,566	1,999	3,970	57,535	56,822
Utilities	129,064	8,441	9,325	146,830	149,894
Vehicles	44,898	10,833	3,755	59,486	52,713
Indirect overhead allocation	992,073	67,675	(1,059,748)	-	-
	6,167,260	537,768	280,311	6,985,339	6,490,400
Depreciation	189,376	5,541	15,049	209,966	197,914
Total expenses	$ 6,356,636	$ 543,309	$ 295,360	$ 7,195,305	$ 6,688,314

See accompanying notes to financial statements.

1. Business and Summary of Significant Accounting Policies

Organization and Purpose

Palm Beach Habilitation Center, Inc. (the "Center") was established in 1959 to provide adults with disabilities vocational training with meaningful employment opportunities. Since that time, a comprehensive service delivery system has been established which includes the following programs and services: vocational evaluation, employee development training, employment services, supported employment, workshop employment, computer and food service training, case management, residential options, including three group homes, a transitional home, and supported living, senior activity programs, and recreational opportunities.

Vocational contracts in the workshop and mobile work crews generate a portion of the Center's support and revenue. Support and revenue also include income generated from the operation of a resale thrift store, which principally sells donated furniture, home accessories, and clothing. To achieve its mission, the Center is committed to being the following:

- A premier provider of quality rehabilitation, employment, and training opportunities for people with barriers to employment and independence.
- Recognized as a community leader and partner, communicating closely and networking with key community groups to respond to ever-changing social problems and ensure wide use of community resources.
- A quality industrial work program, providing timely and quality delivery of products and services to community businesses and industry.

Nature of the Activities

Programs are currently provided in Palm Beach County, Florida. The Center operates a variety of programs and services and may add additional services to address unmet needs that may exist or arise in its service area. Brief descriptions of the Center's significant programs are as follows:

- *Residential* – The Center provides residential services at three locations that are licensed by the State of Florida Agency for Person with Disabilities. In addition to room and board, these facilities offer care and training that increases or maintains the level of independence of the clients. The Center provides Supporting Living Services to individuals who are able to live independently in the community.
  - JB's Ranch is located in Lake Worth and is currently licensed for ten adults.
  - Babbette Wolff Group Home is located in West Palm Beach and is currently licensed for seven adults.
  - Amy's House is located in the Town of Haverhill, Florida and is currently licensed for six female adults.

- *Supported Employment* – The Center provides supported employment services, which includes activities such as janitorial and food services, allows participants to work in our communities with "coaches" provided by the Center. This ongoing support enables the individuals to move toward greater independence.

1. __Business and Summary of Significant Accounting Policies__, continued

Nature of the Activities, continued

- *Thrift Store* – The Center has one thrift store located in Lake Worth, Florida. The Center collects donated items from the public and sells them in the thrift store for the benefit of its rehabilitative programs.

- *Adult Day Habilitation/Workshop* – The Center's largest program, offers an assortment of vocational training opportunities. Adults learn to perform packaging, light assembly, and fulfillment services for local businesses. Training opportunities are secured through contracts with local companies and are performed at the main campus in Lake Worth.

Financial Statement Presentation

The Center reports net assets and activity under Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under this standard, the Center is required to report information regarding its financial position and activities according to two classes of net assets, described as follows:

- Net Assets without Donor Restrictions: 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 transactions (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted by class.

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

- Net Assets with Donor Restrictions: this classification includes those net assets whose use by the Center has been limited by donors in a temporary nature, as to either a later period of time, after a specified date, or for a specified purpose. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Method of Accounting

The accompanying financial statements of the Center have been prepared on the accrual basis of accounting, whereby support and revenues are recognized when earned, and expenses when the corresponding liability is incurred. State and local government and public grants are recorded as support when performance occurs under the terms of the grant agreement. The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses. Expenses associated with a specific program are charged directly to that program. Expenses which benefit more than one program are allocated based on the relative benefit provided. Administrative expenses are allocated to various programs based on each program's relative salary expense.

1. Business and Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Center considers all highly liquid investments available for current use with original maturities of three months or less to be cash equivalents. However, cash and cash equivalents maintained by the Center's investment managers are part of the Center's long-term investment policy and are classified as investments.

Investments

Investments include a balanced allocation of money market funds, fixed income obligations, equity securities, and mutual funds presented at fair value, with the resulting realized and change in unrealized gains and losses included in the Statement of Activities. Fair value is determined by quoted market prices as of June 30, 2019. Security transactions and related expenses are accounted for on a trade-date basis. Investment income attributable to restricted net assets is shown in the column without donor restrictions when the associated restrictions are met in the same reporting period as the income earned. Investment income is reported net of related expenses, such as investment management fees. Investment management fees for the year ended June 30, 2019 were approximately $4,000.

The Center's investment and cash management objectives and policies have been to provide: (a) sufficient liquidity to meet cash flow obligations, (b) sufficient income to meet budgeted requirements and, (c) preservation of capital. In order to meet its objectives (principally liquidity), the Center holds its investments in a combination of accounts. The Center retains the ability to revise its policy to specifically identify strategies and spending policies as they relate to the various designation and restricted categories. The Center appropriates funds from the various categories as funds are needed for the identified and designated purpose, or as the Board deems appropriate for program funding.

Government Agency, Workshop, Client, and Other Receivables

Government agency receivables consist of amounts due from government agencies, which contract with the Center for services and are recorded at net realizable value. In addition, the Center frequently extends credit to its workshop customers and its clients, substantially all of whom are located in Palm Beach County. An allowance for uncollectible accounts is based on historical experience, management's knowledge of the various accounts, and the probability of collection. As of June 30, 2019, an allowance for uncollectible accounts of approximately $44,000, is reflected in the Statement of Financial Position for these receivables.

Property and Equipment

Property and equipment are stated at cost if purchased, or at fair value if donated, and depreciated on the straight-line basis over the estimated useful lives of four to forty years. Donated property and equipment are reported as support without donor restrictions, unless the donor has restricted the donated asset for 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 support with donor restrictions.

1. Business and Summary of Significant Accounting Policies, continued

Property and Equipment, continued

Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service, as instructed by the donor. The Center reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Costs of major renewals and improvements in excess of $1,000 that extend the useful lives are capitalized and depreciated over periods ranging from 5 to 40 years. Maintenance and repairs are charged to expense as incurred.

Accrued Time Off

All full-time and part-time employees who work a regular schedule shall be granted paid time off (PTO) for purpose of vacations and personal business or family situations. The accrual is graded based on full-time or part-time status and on the number of years worked. Part-time employees are eligible at a pro-rated level upon completion of six consecutive month's tenure.

A maximum of 160 hours of unused PTO can be carried over from one year to the next. Upon resignation, in good standing, and after working for one year, a maximum of 80 hours may be paid to regular full-time and part-time employees. For employees who are terminated, or are asked to resign, no accrued PTO will be paid. As of June 30, 2019, approximately $128,000 of accrued PTO is reflected in accrued salaries and related expenses in the Statement of Financial Position.

Agency Payable - Intermediary Transactions

In connection with its supportive living programs, the Center follows FASB ASC 958-605, *Not-for-Profit Entities, Revenue Recognition,* to account for agency transaction funds with its clients. The Center has no discretionary powers over the funds and is to make payments as directed for the benefit of the client. In the acceptance of these funds, the Center recognized designated cash and an agency payable in the Statement of Financial Position.

Contributions

The Center accounts for contributions in accordance with the provisions of FASB ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*. In accordance with this guidance, contributed goods and services, which meet certain criteria, are recorded as contributions at their estimated fair value at date of receipt.

The Center reports gifts as unrestricted support unless they are received with donor stipulations that limit the use of the gift. When a donor restriction expires, that is, a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement 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 Center classifies such income as support without donor restrictions. Approximately $169,000 of donated goods and services were included in contributions in the Statement of Activities for the year ended June 30, 2019 with approximately $28,000 for repairs and maintenance items including landscaping, pest control, and lift station maintenance, and $141,000 for two vans to transport clients, which was capitalized.

1. Business and Summary of Significant Accounting Policies, continued

Contributed Services

Many unpaid volunteers have made significant contributions of their time to develop and maintain the Center's programs. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. Volunteers provided services throughout the year but are not recognized as contributions in the financial statements since the recognition criteria was not met.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and according to natural classification in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Expense

The Center expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2019 was approximately $7,700 and consisted principally of job postings, workshop brochures, and business cards.

Income Taxes

The Center is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center 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). Amounts considered to be unrelated business income, if any, are taxed net of related expenses at corporate rates. The Center did not have any unrelated business income for the year ended June 30, 2019, and there is no provision for income taxes reflected in the accompanying financial statements.

The Center follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This standard 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 Center assesses its income tax positions based on management's evaluation of the facts, circumstances, and information available at the reporting date. The Center uses the prescribed more likely than not threshold when making its assessment. There are currently open Federal tax years under examination. See Note 12.

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. Accordingly, actual results could differ from those estimates.

1. __Business and Summary of Significant Accounting Policies__, continued

Comparable Financial Information

The financial statements include certain prior-year summarized comparable 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 Center's financial statements for the year ended June 30, 2018, from which the summarized information was derived. Certain 2018 amounts may have been reclassified to conform to 2019 classifications. Such reclassifications would have no effect on the change in net assets as previously reported.

Recent Accounting Pronouncements

In February 2016, The FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding “right-of-use” assets. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2020. Therefore, the standard will be effective for the Center’s fiscal year beginning July 1, 2021 and ending June 30, 2022. Management is evaluating the effect that the updated standard will have on the financial statements.

Recent Adopted Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for net asset classification, Board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. The Center has adjusted the presentation of its financial statements, accordingly, applying the changes retrospectively, with the exception of liquidity, which can be reported in the current period only. The new standards change the following aspects of the Center’s financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The amount of net assets without donor restrictions was increased by $294,349 for the release of long-lived assets that have been placed in service.
- The amount of total net assets was increased by $142,585 due to a prior period adjustment, as disclosed in Note 13.
- The format of the statement of cash flows is the direct method of reporting cash flows from operations, and a reconciliation using the indirect method is included.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2).

1. Business and Summary of Significant Accounting Policies, continued

Recent Adopted Accounting Pronouncements, continued

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 changed the beginning net assets for the year ended June 30, 2019, follows:

As originally stated:	
Unrestricted	$ 5,160,347
Temporarily restricted	265,138
Permanently restricted	294,349
Total beginning net assets, July 1, 2018	$ 5,719,834
As restated (see Note 13):	
Without donor restrictions	$ 5,597,281
With donor restrictions	265,138
Total beginning net assets, July 1, 2018	$ 5,862,419

2. Liquidity and Availability of Resources

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

Cash and cash equivalents	$ 67,665
Investments	1,384,299
Government agency receivables, net	478,119
Workshop receivables, net	129,753
Client and other receivables, net	22,683
	2,082,519
Less certain amounts with donor restriction	286,157
Financial assets available to meet general expenditures over the next 12 months	$ 1,796,362

The Center is substantially supported by government grants and other contracts without and with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Center must maintain sufficient resources to meet those responsibilities to its donors. Some of the Center's net assets with donor restrictions are available for general expenditure within one year of June 30, 2019 because the restrictions on the net assets are expected to be met by conducting the normal program activities of the Center in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

Additionally, the Center's liquidity includes board designated funds. Since these funds are board designated and not donor restricted, the board can access them if needed, and include such funds in the liquidity schedule above. The Center also has a line of credit of $500,000, of which approximately $300,000 was available at year-end to meet short-term needs as described in Note 7.

3. Fair Value Measurement

Fair Value Measurement and Disclosures

The Center follows FASB ASC 820, *Fair Valuation Measurement*. This standard defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements of financial instruments.

The standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). If inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level of input that is significant to the fair value measurement of the instrument.

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities of similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The methods and assumptions used by the Center in measuring the fair value of financial instruments under FASB ASC 820 are presented below. There has been no change in the methodologies used as of June 30, 2019.

Financial instruments measured at fair value in these financial statements consist of the following:

- *Investments* – are valued based on quoted market prices according to Level 1.

The fair value of financial instruments is reported using the input guidance and valuation techniques on a recurring basis described above.

Investments as of June 30, 2019, consisted of the following:

Assets reported at fair value	Level 1 Fair Value	Cost	Unrealized Gain (loss)
Cash and cash equivalents	$ 39,736	$ 39,736	$ -
Corporate obligations	373,402	361,634	11,768
Fixed income – EFT & mutual funds	412,274	413,679	(1,405)
Equities – ETF & mutual funds	558,887	543,002	15,135
	$ 1,384,299	$ 1,358,051	$ 25,498

3. ***Fair Value Measurement**, continued*

The following methods and assumptions were used by the Center in estimating the fair value of financial instruments that are not disclosed under FASB ASC 820:

- *Current assets and liabilities* – the carrying amount for cash, government, workshop, client and other receivables, and accounts payable and accrued expenses approximates fair value due to the short-term nature of those instruments.
- *Lines of credit* – the carrying amount approximates fair value because the interest rate attributable to that instrument is deemed to be a market rate.

4. ***Government Agency, Workshop, and Client Receivables***

Government agency, workshop, and client receivables as of June 30, 2019 consisted of the following:

Government agency receivables	$ 500,119
Less allowance for uncollectible accounts	22,000
	$ 478,119
Workshop receivables	$ 142,073
Less allowance for uncollectible accounts	12,320
	$ 129,753
Client and other receivables	$ 32,363
Less allowance for uncollectible accounts	9,680
	$ 22,683

5. ***Prepaid Expenses and Other Assets***

Prepaid expenses and other assets as of June 30, 2019 consisted of the following:

Prepaid insurance	$ 70,479
Other prepaid expenses	27,783
Other assets	2,000
	$ 100,262

Approximately $11,900 of prepaid expense is reported with donor restrictions in connection with the Hab-a-Hearts fundraising event.

6. ***Property and Equipment***

Property and equipment as of June 30, 2019, consisted of the following:

Land	$ 841,991
Buildings	5,823,769
Paving and landscape	150,697
Furniture and fixtures	191,065
Equipment and machinery	839,012
Automobiles and trucks	729,088
	8,575,622
Less accumulated depreciation	(4,517,650)
Plus construction in process (not depreciated)	745,011
	$ 4,802,983

*6. **Property and Equipment**, continued*

Construction in process as of June 30, 2019 includes costs associated with the potable water and sewer connection to JB's Ranch, the PACE building, and the new Memory Care Group Home. There is also a $36,000 security deposit associated with the construction of the Memory Group Home. The Florida Agency for Persons with Disabilities (APD) is the primary funder on the JB's Ranch project along with a roof project that was completed during fiscal year 2017. APD has a mortgage lien in place until completion of both projects. On September 30, 2016, the Center signed a capital outlay grant contract with the Florida Agency for Persons with Disabilities (APD) for approximately $650,000. To facilitate this grant, the Center provided a lien of 5 years to APD on all rights, title and interest in and to the Center's land and real properties: The Center, 4522 South Congress Avenue, Lake Worth, FL 33461; and JB's Ranch, 5203 Colbright Road, Lake Worth, FL 33467. JB's Ranch project was completed in the following fiscal year.

On May 27, 1968, Palm Beach County (the "County") deeded land to the Center on which its administrative office and workshop facilities are located. The County restricted the use of this land for providing educational and recreational activities to individuals with disabilities. The Center uses the property in accordance with the intended purpose and reports the land as a net asset without donor restrictions. The land was original recorded in the books for $125,149.

On July 10, 2001, the County deeded land to the Center to be used as a residential facility. The County restricted the use of the land such that the Center cannot sell, mortgage, or encumber it in any manner without approval from the County. The Center uses the property in accordance with the intended purpose and reports the land as a net asset with donor restrictions. The land was originally recorded in the books for $169,200.

*7. **Lines of Credit***

The Center had a commitment from a financial institution for a $250,000 unsecured line of credit to be used for general short-term working capital requirements. On October 25, 2018, the line was amended and restated increasing the line to $500,000. Monthly interest only payments are due at prime rate minus twenty-five basis points (0.25%), as published in the Wall Street Journal. The effective rate was 5.25% as of June 30, 2019. Collateral for the line includes all personal property of the Center. The line also has a conversion feature, which allows the lender to convert the facility into an amortizing term loan at any time with written notice to the Center. The unpaid principal balance plus accrued interest was due on demand or on September 10, 2019. On July 5, 2019, the line was renewed to October 30, 2020. All other terms and conditions of the agreement remained the same as the October 25, 2018 agreement. As of June 30, 2019, there was approximately $300,000 of unused balance on this operating line of credit.

The Center also received a commitment from the Housing Finance Authority of Palm Beach County for a $1,000,000 line of credit to be used to fund the JB's Ranch Project and for the construction of the new Memory Care Group Home. Monthly interest only payments were due at a 1.0% annual rate, as long as the loan was repaid by April 19, 2019. Should the final maturity of the loan extend beyond that date, the loan shall bear interest at a rate of 2.0% annually, retroactive to the date of the initial advance. The loan was extended and the Center did pay the additional 1% retroactive interest and paid 2% going forward. The collateral for this loan is the investments as reflected on the statement of financial position. As of June 30, 2019, there was approximately $607,000 of unused balance on this construction line of credit. However, after year-end on November 19, 2019 the Center requested a reduction in the loan to $500,000, and then subsequently paid the loan off on December 19, 2019 from funds from the investment account.

8. *Board Designated and Net Assets with Donor Restrictions*

Board Designated

The Center's Board designates funds from time to time for a variety of purposes associated with preserving the Center or supporting a specific Center purpose. The designated net assets consisted of the following as of June 30, 2019:

General reserve	$ 1,673,120
Hurricane reserve	85,000
	$ 1,758,120

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2019:

Centurions – capital projects	$ 63,898
Hab-a-Hearts - events	47,258
Business ventures – entrepreneurial projects	27,311
Capital investment, client assistance and other funds	286,157
	$ 424,624

9. *Defined Contribution Annuity Plan*

The Center established a tax-sheltered annuity under Section 403(b) of the Internal Revenue Code, effective January 1, 1996. Employees become eligible to participate in the plan's discretionary match on their one-year anniversary date of employment. The plan provides for a discretionary match by the Center of the amount of employee contributions up to a maximum of 5% of compensation; tiered for years of service. The Center's contribution to the plan for the year ended June 30, 2019 was approximately $51,000.

10. *Investment and Obligation in Deferred Compensation Plan*

As of July 1, 2002, the Center offered a deferred compensation plan created in accordance with the Internal Revenue Code Section 457(b) for certain key employees of the Center. However, the plan was not identified until fiscal year 2019 and is being added to the financial statements this year. The assets of the plan are represented as investment in deferred compensation plan, with a corresponding liability for the same amount reflected as obligations under deferred compensation plan of $206,398.

The plan permits the Board of Directors to approve discretionary contributions and to defer such amounts on the employee's behalf under the plan. For the year ended June 30, 2019, there were no employer contributions to this plan. These contributions are subject to statutory limits set by the Internal Revenue Service.

All deferred compensation under the plan is not available to covered employees until: a) severance from employment, b) death, or c) as required by minimum distribution requirements. All deferred compensation under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights, shall remain (until paid to the employee or their beneficiary) solely the property and rights of the Center, subject to the claims of the Center's general creditors. Each participant will be an unsecured general creditor of the Center with respect to all benefits payable under the Plan.

11. Leases

The Center leases certain equipment under operating leases. Future minimum rental payments under noncancelable operating leases for each year under lease are approximately:

2020	$ 19,900
2021	18,900
2022	16,800
2023	9,800
	$ 65,400

Rental expense for the year ended June 30, 2019 was approximately $42,000.

12. Concentrations and Contingencies

The Center receives the majority of its funding from public sources and is dependent upon the availability of Federal, State, and County grants and awards for its continued existence. The Center currently receives approximately 76% of its governmental funding from the Agency For Persons With Disabilities and a combined 16% from the Department of Vocational Rehabilitation and Palm Beach County. A significant reduction in the level of this support, if it were to occur, would have a material effect on the Center's programs and activities.

The Center does not appear subject to significant credit risk with respect to its accounts receivable, as government agency receivables account for approximately 76% of outstanding receivables. Furthermore, principal account debtors are the Agency for Persons with Disabilities, which accounts for approximately 33% of the total outstanding balance, and the Department of Vocational Rehabilitation and Palm Beach County, which accounts for approximately 25% of the outstanding balance. The remaining balance of its receivables is owed by a variety of organizations or companies.

The Center maintains its cash balances in one financial institution located in Lake Worth, Florida. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of June 30, 2019, the Center had approximately $76,000 in excess of FDIC insured limits.

As of the date of this report, the Center is undergoing an IRS examination of its defined contribution and deferred compensation plans. With the inclusion of the deferred compensation plan as both an asset and liability of the Center, management believes the plans are currently compliant and correctly presented. The impact on these financial statements of any finding has not been determined and no accrual for an amount due has been made herein.

Shortly after year-end, on July 17, 2019, the Center entered into a three-year agreement with a computer consulting company for a non-recurring charge of approximately $36,000 for a new computer system including hardware, software, and labor. The contract also includes a recurring monthly charge for IT service, licenses, etc. of approximately $7,000. The Center can terminate the contract with 30-days written notice to the provider and a pre-payment of an early termination fee not to exceed the greater of three months of the monthly recurring charges, or payment of the balance of the term of the contract.

13. Prior Period Adjustment

During 2019, management determined it was necessary to restate prior year balances related to reversing the severance payable that was a prior period adjustment in 2018. The agreement was amended to reflect the underlying intent of the arrangement, which was to be a current consulting agreement rather than a severance liability. The severance payable was reversed, and the consulting fee recognized for 2018 rather than reducing the severance payable.

The effect of correcting these amounts on the previously reported financial statements as of June 30, 2018, is presented in the table below:

	As Previously Reported	Adjustment	As Restated
Change in net assets	$ (125,916)	$ (18,000)	$ (143,916)
Net assets, July 1, 2018	5,845,750	160,585	6,006,335
Net assets, June 30, 2018	$ 5,719,834	$ 142,585	$ 5,862,419

14. Subsequent Events

Subsequent to the date of the financial statements and prior to the date of this report, the Internal Revenue Service (IRS) initiated an examination of the Center's defined contribution plan and its deferred compensation plan. That examination is currently underway with no indication of an adverse finding as of this date.

In recent weeks, the COVID-19 outbreak in the United States, together with related government orders, has resulted in the temporary contraction of activities and operating hours for many individuals and organizations, including those that interact with and support the Center. As a response, the Center has submitted a loan application under the Paycheck Protection Program ("PPP") with its bank as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") for $827K, which was approved and signed on May 1, 2020, and funding received on May 4, 2020.

The PPP enables qualifying organizations to borrow up to 2.5 times their average monthly payroll under the basic terms of 1% interest, with a two-year term, and all payments deferred for the first six months. PPP also include a forgiveness provision for some or all of the loan, so long as the organization uses the funds for qualified costs (substantially payroll) over an 8 week covered period beginning on the date the loan is funded. While it remains uncertain how much, if any, of the PPP loan will be forgiven, management intends to use the funds for payroll costs as designed.

The Center is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. The effects of this government mandate, if any, upon the financial statements have not been determined.

Management has evaluated all additional subsequent events, other than those mentioned above, through May 5, 2020, the date on which the financial statements were available to be issued, and determined that there were no further disclosures required to be presented in these financial statements.

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

To the Board of Directors of
Palm Beach Habilitation Center, Inc.
Lake Worth, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Palm Beach Habilitation Center, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 5, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control as described below that we consider to be significant deficiencies.

- Bank reconciliations – Bank statements in some instances were accumulated for several months before they were reconciled to the appropriate general ledger controls. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind. We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements.

- Net asset accounts – The Center's Net asset accounts are not being adjusted on a continuous basis to reflect activity. In particular, we note that the Center uses spreadsheet software to track these changes in net assets with and without donor restriction, but that information is not consistently transferred to the accounting system. We recommend that the Center develop a more routine system and procedure for posting use of net asset classifications, especially when there is need for inter-classification transfers and resulting amounts due to (from) the other classes. We also recommend that the Board consider the existing balance of Board Designated Net Assets in light of the Center's current needs for outstanding projects and operations.
- Account reconciliations – During the course of the audit, we accumulated journal entries that affected a number of transaction cycles, including billing and receivables, investment activity, fixed asset acquisition, and fundraising. Some areas are only active on occasion or at certain times of the year, while others are constant. We recommend that management develop a routine checklist for identifying and reconciling these areas.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Palm Beach Habilitation Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holyfield & Thomas, LLC

West Palm Beach, Florida
May 5, 2020

SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2019

	Work Crews	ASAP	Case Management	Seniors
Support and revenues:				
Fees and grants - Government agencies	$ -	$ 156,788	$ -	$ 167,363
PBC BOCC (FAA-programs 1385/1693)	-	-	-	215,737
Contributions, gifts and special events less capital contributions	126,910	-	2,840	7,085
Palm Beach County School Board grant	-	-	-	-
In-kind contributions	-	-	-	-
Sales, cafeteria and thrift store	188	-	-	-
Vocational activities	466,711	-	-	-
United Way grant allocations	64,000	-	93,000	-
Investment income, net	-	-	-	-
Gain on sale of property	-	-	-	-
Realized and change in unrealized gain (loss) investments, net	-	-	-	-
Client fees		11,700	-	32,021
Other revenue	-	-	-	-
Total support and revenues	657,809	168,488	95,840	422,206
Expenses:				
Salary and wages	220,368	152,013	171,461	181,144
Client salaries	193,337	-	-	-
Payroll taxes	36,655	12,788	13,839	14,737
Employee benefits & other related expenses	57,779	22,171	34,793	36,424
	508,139	186,972	220,093	232,305
Advertising	1,348	480	-	901
Bad debts	2,514	1,601	366	2,040
Building maintenance and supplies	15,729	4,968	1,466	4,534
Equipment repair and maintenance	100	123	170	450
Fees, dues and reference materials	423	481	119	395
Freight and related expense	51	10	9	181
Fundraising venue and other related	-	-	-	-
Insurance	38,798	7,476	9,708	17,384
Interest	7	-	-	-
Legal and audit fees	-	-	-	-
Material purchases and program supplies	778	4,659	229	18,849
Outside services	189	46	-	1,002
Printing, computer, and office supplies	114	2,034	2,935	2,375
Rent	2,471	2,279	1,621	301
Security service	98	277	196	1,182
Staff travel, screening, and development	1,640	347	391	828
Telephone	2,928	1,541	975	2,011
Utilities	2,967	7,551	4,371	6,259
Vehicles	16,011	-	1,334	4,940
Indirect overhead allocation	76,305	52,637	59,371	62,724
	670,610	273,482	303,354	358,661
Net excess (deficiency) before depreciation	(12,801)	(104,994)	(207,514)	63,545
Depreciation	9,382	3,078	2,463	13,147
Net excess (deficiency)	$ (22,183)	$ (108,072)	$ (209,977)	$ 50,398

See independent auditor's report.

SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES

(with comparable totals for 2018)

SAMH	Supported Living	Supported Employment	Computer Lab	Evaluation	Work Production
$ 84,641	$ 218,805	$ 471,173	$ -	$ 43,074	$ 839,464
-	-	-	73,394	-	-
-	55,150	-	15,000	-	554
-	-	131,443	-	-	93,557
-	-	-	-	-	-
-	-	-	-	-	492
-	-	-	-	-	298,674
-	-	65,000	-	-	73,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	27,718	-	-	-	39,903
-	-	-	-	-	4,133
84,641	301,673	667,616	88,394	43,074	1,349,777
51,417	218,361	382,347	57,786	42,857	589,594
-	-	2,364	-	1,424	186,782
4,178	17,961	31,534	4,635	3,559	62,656
9,441	30,959	88,769	11,391	8,823	105,501
65,036	267,281	505,014	73,812	56,663	944,533
-	102	684	-	-	236
324	1,153	3,345	338	165	6,240
1,591	4,889	3,157	397	716	18,988
-	-	114	-	-	1,235
21	103	247	132	21	2,059
-	4,310	-	5	-	19,863
-	-	-	-	-	-
2,061	9,546	14,804	2,131	1,883	36,275
-	-	-	-	-	-
-	-	-	-	-	-
-	478	146	-	-	14,262
-	42	108	-	500	190
26	1,339	1,508	334	248	4,997
348	1,718	3,841	328	348	9,943
131	244	408	221	131	3,380
4,055	19,169	45,653	-	158	1,477
778	4,487	4,352	266	478	8,283
2,087	9,389	7,303	1,043	2,087	33,669
-	-	-	-	-	5,209
17,804	75,611	132,393	20,009	14,840	204,155
94,262	399,861	723,077	99,016	78,238	1,314,994
(9,621)	(98,188)	(55,461)	(10,622)	(35,164)	34,783
1,235	5,536	4,313	617	1,235	24,445
$ (10,856)	$ (103,724)	$ (59,774)	$ (11,239)	$ (36,399)	$ 10,338

See independent auditor's report.

PALM BEACH HABILITATION CENTER, INC.

For the Year Ended June 30, 2019

	Cafeteria	JB's Ranch Group Home	Babbette Wolff Group Home	Amy's House Group Home
Support and revenues:				
Fees and grants - Government agencies	$ -	$ 773,240	$ 350,595	$ 220,596
PBC BOCC (FAA-programs 1385/1693)	-	-	-	-
Contributions, gifts and special events less capital contributions	109,950	76,673	-	(13)
Palm Beach County School Board grant	-	-	-	-
In-kind contributions	-	-	-	-
Sales, cafeteria and thrift store	89,480	-	-	-
Vocational activities	-	-	-	-
United Way grant allocations	-	-	-	-
Investment income, net	-	-	-	-
Gain on sale of property	-	-	-	-
Realized and change in unrealized gain, net	-	-	-	-
Client fees	6,272	92,589	2,189	4,523
Other revenue	-	-	-	-
Total support and revenues	205,702	942,502	352,784	225,106
Expenses:				
Salary and wages	84,174	261,554	313,882	138,116
Client salaries	66,852	-	-	-
Payroll taxes	11,965	22,198	25,942	11,329
Employee benefits	13,450	49,913	59,289	26,166
	176,441	333,665	399,113	175,611
Advertising	-	-	111	-
Bad debts	786	3,602	1,348	860
Building maintenance and supplies	13,024	14,778	13,052	10,811
Equipment repair and maintenance	2,843	1,253	1,893	1,036
Fees, dues and reference materials	1,408	1,703	1,916	2,311
Freight and related expense	484	7	8	-
Fundraising venue and other related	-	-	-	-
Insurance	6,832	19,348	22,068	13,654
Interest	16	-	-	-
Legal and audit fees	-	775	-	-
Material purchases and program supplies	112,004	52,299	33,177	26,966
Outside services	237	7,139	192	155
Printing, computer and office supplies	753	2,497	559	2,326
Rent	2,536	-	-	-
Security service	668	2,933	4,184	6,093
Staff travel, screening, and development	1,026	784	2,365	622
Telephone	3,308	6,872	9,995	5,292
Utilities	15,643	12,441	15,825	8,429
Vehicles	88	6,936	6,285	4,095
Indirect overhead allocation	29,146	90,567	108,686	47,825
	367,243	557,599	620,777	306,086
Net excess (deficiency) before depreciation	(161,541)	384,903	(267,993)	(80,980)
Depreciation	7,399	38,408	42,609	35,509
Net excess (deficiency)	$ (168,940)	$ 346,495	$ (310,602)	$ (116,489)

See independent auditor's report.

SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES

(with comparable totals for 2018)

Total Program Services	Thrift Store	Fundraising	Administration	Total Supporting Services	2019 Totals	2018 Totals
$ 3,325,739	$ -	$ -	$ -	$ -	$ 3,325,739	$ 2,837,494
289,131	-	-	-	-	289,131	289,462
394,149	1,221	1,231,502	(566)	1,232,157	1,626,306	1,432,667
225,000	-	-	-	-	225,000	225,000
-	-	-	169,355	169,355	169,355	35,473
90,160	191,070	-	-	191,070	281,230	194,805
765,385	-	-	-	-	765,385	865,133
295,000	-	-	-	-	295,000	331,349
-	-	69,110	281	69,391	69,391	51,287
-	-	-	-	-	-	35,962
-	-	-	(26,838)	(26,838)	(26,838)	31,201
216,915	-	-	-	-	216,915	201,429
4,133	2,544	504	2,914	5,962	10,095	13,136
5,605,612	194,835	1,301,116	145,146	1,641,097	7,246,709	6,544,398
2,865,074	87,120	108,321	667,076	862,517	3,727,591	3,492,851
450,759	-	-	11,304	11,304	462,063	462,079
273,976	7,691	8,816	54,633	71,140	345,116	326,631
554,869	11,248	18,321	99,330	128,899	683,768	641,813
4,144,678	106,059	135,458	832,343	1,073,860	5,218,538	4,923,374
3,862	604	1,800	1,425	3,829	7,691	9,847
24,682	-	-	-	-	24,682	-
108,100	5,850	727	64,408	70,985	179,085	186,954
9,217	60	-	4,346	4,406	13,623	6,581
11,339	6,399	5,174	40,380	51,953	63,292	53,424
24,928	117	-	988	1,105	26,033	25,372
-	-	90,606	-	90,606	90,606	94,234
201,968	8,306	3,963	40,861	53,130	255,098	232,403
23	-	225	15,935	16,160	16,183	7,870
775	-	-	92,636	92,636	93,411	52,100
263,847	4,220	64,507	5,515	74,242	338,089	271,325
9,800	315	4,888	158,034	163,237	173,037	128,969
22,045	1,526	3,565	36,247	41,338	63,383	70,945
25,734	97	657	15,903	16,657	42,391	49,610
20,146	483	98	2,811	3,392	23,538	16,573
78,515	1,139	1,977	11,177	14,293	92,808	101,390
51,566	1,515	484	3,970	5,969	57,535	56,822
129,064	6,354	2,087	9,325	17,766	146,830	149,894
44,898	10,833	-	3,755	14,588	59,486	52,713
992,073	30,167	37,508	(1,059,748)	(992,073)	-	-
6,167,260	184,044	353,724	280,311	818,079	6,985,339	6,490,400
(561,648)	10,791	947,392	(135,165)	823,018	261,370	53,998
189,376	4,306	1,235	15,049	20,590	209,966	197,914
$ (751,024)	$ 6,485	$ 946,157	$ (150,214)	$ 802,428	$ 51,404	$ (143,916)

See independent auditor's report.