

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

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2022
(with comparable totals for 2021)**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6-7
Statement of Functional Expenses	8
NOTES TO FINANCIAL STATEMENTS	9-17
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	18-19
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	20-22
Schedule of Findings and Questioned Costs	23-24
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26



Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407

(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Palm Beach County Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2023, on our consideration of Palm Beach County Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Palm Beach County Food Bank, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Palm Beach County Food Bank, Inc.'s internal control over financial reporting and compliance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 schedule of expenditures of federal awards 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 County Food Bank, Inc.'s June 30, 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
February 13, 2023

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF FINANCIAL POSITION

As of June 30, 2022

(with comparable totals for 2021)

ASSETS	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Totals</u>	<u>2021 Totals</u>
Current assets:				
Cash and cash equivalents	\$ 5,691,576	\$ 2,290,639	\$ 7,982,215	\$ 7,016,519
Accounts receivable	-	-	-	139,802
Pledges receivable, current portion	13,753	96,250	110,003	425,003
Food inventory	498,704	-	498,704	519,685
Prepaid expenses	129,612	-	129,612	81,471
Total current assets	<u>6,333,645</u>	<u>2,386,889</u>	<u>8,720,534</u>	<u>8,182,480</u>
Pledges receivable	-	155,000	155,000	475,000
Security deposits	18,058	-	18,058	18,058
Property and equipment, net	3,241,753	-	3,241,753	2,934,985
Right-of-use assets:				
Operating leases, net	3,712,485	-	3,712,485	3,858,154
Finance leases, net	243,125	-	243,125	320,486
Total assets	<u>\$ 13,549,066</u>	<u>\$ 2,541,889</u>	<u>\$ 16,090,955</u>	<u>\$ 15,789,163</u>
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 82,716	\$ -	\$ 82,716	\$ 74,427
Accrued expenses	100,726	-	100,726	114,509
Refundable advances	4,261	-	4,261	-
Lease obligations, current portion:				
Operating leases	114,080	-	114,080	100,169
Finance leases	65,496	-	65,496	60,925
Total current liabilities	<u>367,279</u>	<u>-</u>	<u>367,279</u>	<u>350,030</u>
Lease obligations:				
Operating leases	3,780,215	-	3,780,215	3,879,492
Finance leases	244,836	-	244,836	310,328
Total liabilities	<u>4,392,330</u>	<u>-</u>	<u>4,392,330</u>	<u>4,539,850</u>
Net assets:				
Without donor restrictions	9,156,736	-	9,156,736	8,111,630
With donor restrictions	-	2,541,889	2,541,889	3,137,683
Total net assets	<u>9,156,736</u>	<u>2,541,889</u>	<u>11,698,625</u>	<u>11,249,313</u>
Total liabilities and net assets	<u>\$ 13,549,066</u>	<u>\$ 2,541,889</u>	<u>\$ 16,090,955</u>	<u>\$ 15,789,163</u>

See accompanying notes to financial statements.

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

(with comparable totals for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Totals</u>	<u>2021 Totals</u>
Support and revenues:				
Governmental support	\$ 1,833,196	\$ 80,000	\$ 1,913,196	\$ 711,797
Foundation support	1,085,728	1,291,507	2,377,235	1,916,705
United Way allocation	105,053	178,916	283,969	265,059
Other contributions	3,036,277	238,478	3,274,755	6,671,810
Donated goods	15,308,784	-	15,308,784	30,208,528
Special event income	217,378	-	217,378	188,038
Other income	595	-	595	272
	<u>21,587,011</u>	<u>1,788,901</u>	<u>23,375,912</u>	<u>39,962,209</u>
Net assets released from restrictions	<u>2,384,695</u>	<u>(2,384,695)</u>	<u>-</u>	<u>-</u>
	<u>23,971,706</u>	<u>(595,794)</u>	<u>23,375,912</u>	<u>39,962,209</u>
Expenses:				
Program services	21,903,005	-	21,903,005	33,936,621
Supporting services:				
Management and general	295,973	-	295,973	292,961
Fundraising	727,622	-	727,622	809,081
	<u>22,926,600</u>	<u>-</u>	<u>22,926,600</u>	<u>35,038,663</u>
Loss on sale of asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,481</u>
Change in net assets	1,045,106	(595,794)	449,312	4,842,065
Net assets, beginning of year	<u>8,111,630</u>	<u>3,137,683</u>	<u>11,249,313</u>	<u>6,407,248</u>
Net assets, end of year	<u>\$ 9,156,736</u>	<u>\$ 2,541,889</u>	<u>\$ 11,698,625</u>	<u>\$ 11,249,313</u>

See accompanying notes to financial statements.

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF CASH FLOWS

*For the Year Ended June 30, 2022**(with comparable totals for 2021)*

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from:		
Governmental support	\$ 1,913,196	\$ 497,353
Private gifts and grants	6,582,522	8,158,927
Special events	217,831	188,038
Cash paid to vendors and employees	(7,018,595)	(3,984,581)
Cash paid on operating leases	(241,995)	(146,035)
Other income	595	272
Interest expense paid	<u>(24,713)</u>	<u>(13,201)</u>
Net cash provided by operating activities	<u>1,428,841</u>	<u>4,700,773</u>
Cash flows from investing activities:		
Purchase of property and equipment	(534,724)	(3,207,268)
Proceeds from sale of asset	-	13,200
Decrease in security deposits	<u>-</u>	<u>27,050</u>
Net cash used in investing activities	<u>(534,724)</u>	<u>(3,167,018)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for capital campaign	132,500	1,262,341
Principal payments on lease obligations	<u>(60,921)</u>	<u>(32,881)</u>
Net cash provided by financing activities	<u>71,579</u>	<u>1,229,460</u>
Net change in cash	965,696	2,763,215
Cash and cash equivalents, beginning of year	<u>7,016,519</u>	<u>4,253,304</u>
Cash and cash equivalents, end of year	<u>\$ 7,982,215</u>	<u>\$ 7,016,519</u>

See accompanying notes to financial statements.

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022

(with comparable totals for 2021)

	<u>2022</u>	<u>2021</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 449,312	\$ 4,842,065
Adjustments to reconcile change in net cash to net cash provided by operating activities:		
Depreciation	305,317	131,702
Lease expense	302,298	267,542
Loss on disposal of asset	-	81,481
Donated assets	-	(23,250)
Loan forgiveness	-	(214,444)
(Increase) decrease in certain assets:		
Accounts receivable	139,802	139,802
Pledges receivable	525,000	335,000
Food inventory	20,981	475,508
Prepaid expenses	(48,141)	(53,934)
Increase (decrease) in certain liabilities:		
Accounts payable	8,289	(29,435)
Accrued expenses	(13,783)	23,874
Refundable advances	4,261	(32,262)
Operating lease obligations	(241,995)	(146,035)
Contributions restricted for:		
Capital campaign	<u>(22,500)</u>	<u>(1,096,841)</u>
Net cash provided by operating activities	<u>\$ 1,428,841</u>	<u>\$ 4,700,773</u>

Supplemental information of noncash investing and financing activities:

During 2022, the Food Bank incurred debt of \$16,396 in the form of operating leases for the right-of-use of office equipment.

See accompanying notes to financial statements.

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

(with comparable totals for 2021)

	Program Services	Supporting Activities		2022 Totals	2021 Totals
		Management and General	Fundraising		
Salaries	\$ 1,313,581	\$ 150,040	\$ 220,882	\$ 1,684,503	\$ 1,501,201
Payroll taxes	95,683	10,370	15,303	121,356	109,333
Employee benefits	138,389	14,999	22,134	175,522	137,820
Total salaries and related benefits	1,547,653	175,409	258,319	1,981,381	1,748,354
Bank card processing charges	24,831	2,691	3,972	31,494	51,518
Conference, meals and training	19,548	2,118	3,126	24,792	13,513
Contract services	157,118	9,356	14,339	180,813	76,120
Depreciation expense	272,364	25,903	7,050	305,317	131,702
Direct mail campaign	-	-	222,642	222,642	315,460
Dues and subscriptions	3,729	404	596	4,729	8,858
Fundraising and public relations	-	-	128,478	128,478	66,923
Insurance	100,461	4,132	5,312	109,905	102,431
Interest expense	21,136	1,886	1,691	24,713	13,201
Lease expense	260,413	21,915	19,970	302,298	267,542
Lobbyists expense	91,800	5,100	5,100	102,000	86,338
Occupancy expenses	240,417	21,450	19,235	281,102	410,642
Office expenses	41,950	4,547	6,710	53,207	65,546
Payroll processing charges	24,666	2,674	3,945	31,285	38,064
Professional fees and contracts	71,311	7,729	11,406	90,446	206,372
Purchased food distributed	3,307,334	-	-	3,307,334	535,741
Technology expenses	57,731	6,257	9,233	73,221	46,298
Telephone, fax, and internet	25,643	2,779	4,102	32,524	24,545
Travel expenses	14,978	1,623	2,396	18,997	8,377
Truck, freight and fuel costs	153,898	-	-	153,898	129,560
Warehouse operating expenses	106,770	-	-	106,770	135,593
Total expenses before donated goods	6,543,751	295,973	727,622	7,567,346	4,482,698
Donated goods distributed	15,359,254	-	-	15,359,254	30,555,965
Total expenses	\$ 21,903,005	\$ 295,973	\$ 727,622	\$ 22,926,600	\$ 35,038,663

See accompanying notes to financial statements.

For the Year Ended June 30, 2022

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, purchases, and distributes food to food pantries, soup kitchens, and other non-profit organizations in Palm Beach County at no cost. During the year ended June 30, 2022, it served over 230 organizations through 4 programs. It distributed over 11.4 million pounds of food to over 135 agencies on the front line of hunger relief from Tequesta to Boca Raton and Belle Glade and Pahokee to the Coast. In addition, The Food Bank operates the Childhood Hunger Initiatives program, which served food packs to upwards of 5,900 children at 79 partner agencies throughout the year for a total of 140,905 bags to children. The Benefits Outreach program helped over 6,000 individuals receive over \$8.4 million of federal food benefit assistance and had over 2600 participants from our Pop-Up Farmers Market, a nutrition education program that provides participants with a weekly produce box and nutrition information.

Financial Statements Presentation

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

Net assets without donor restrictions: are those currently available for use in the current operations of the Food Bank under the direction of the Board of Directors.

Net assets with donor restrictions: are those subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

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.

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.

For the Year Ended June 30, 2022

1. Business and Summary of Significant Accounting Policies, continued

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 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.

Accounts and Pledges 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.

Lease Obligations: The carrying amount reported approximates fair value as the stated interest rates approximate market rates.

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 may exceed federally insured limits. The Food Bank participates in an "insured cash sweep" program to sweep excess balances to FDIC participating banks and enhance insurance coverage. The Food Bank has not experienced any loss on its accounts and management believes the Food Bank is not exposed to any significant credit risk arising from such balances. As of June 30, 2022, there was approximately \$120,000 in excess of the FDIC limit.

Accounts and Pledges Receivable

Accounts 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.

For the Year Ended June 30, 2022

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

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 \$155,000 in contributions receivable due beyond one year as of June 30, 2022.

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 \$1.79 per pound, which is the average wholesale value as determined by a national network of food banks. As of June 30, 2022, food inventory consisted of approximately \$33,350 of purchased food (42,950 pounds) and \$465,350 of donated food (260,000 pounds). In addition to a periodic change in price per pound, the ending balance of Food Inventory may fluctuate due to the timing of significant food donations, year-end demand, and related distribution factors.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Donations of property and equipment are recorded as 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.

Support and Revenues

In accordance with FASB ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*, contributions received, including unconditional promises, are recognized as support when the donor's commitment is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or with restrictions by the donor for specific purposes are reported as support with donor restrictions that increase that net asset class. When a donor restriction expires, 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. Program service fees are recognized as revenue in the period in which the related services commence.

For the Year Ended June 30, 2022

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

Donated goods and services are recognized as contributions in accordance with FASB ASC 958-605, *Revenue Recognition*. The Food Bank reports the fair value of contributed food inventory over which it has control (i.e., variance power) as public support without donor restrictions and, shortly thereafter, as expense when granted to member food banks. During the year ended June 30, 2022, the Food Bank received approximately 8,552,000 pounds of donated goods from approximately 135 donors and their subsidiaries. Contributed food inventory is reported as donated goods in the Statement of Activities, and as an expense under the caption donated goods distributed in the Statement of Functional Expenses.

Donated services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. These services are recognized in the financial statements at their estimated fair market value as gifts in-kind income and expense in the period rendered. There were no significant contributions of professional services for the year ended June 30, 2022.

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 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 Statement of Functional Expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expense of those functional areas. Indirect 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 fundraising and public relations in the Statement of Functional Expenses. The Food Bank incurred \$6,560 advertising costs during the year ended June 30, 2022.

Lobbying Expenses

The Food Bank engages a lobbyist to assist them in securing food contracts for the community, creating introductions and collaborative arrangements with other food agencies, and promoting the mission and programs offered by the Food Bank. There are no expenditures related to political elections or candidates.

For the Year Ended June 30, 2022

1. Business and Summary of Significant Accounting Policies, continued

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.

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, 2021, from which the summarized information was derived.

Recently Adopted Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Food Bank adopted and implemented this pronouncement on July 1, 2021, using the prospective method of application. The adoption of ASU 2020-07 resulted in no material changes to the recognition of gifts in-kind.

2. Liquidity and Availability of Resources

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

Cash and cash equivalents	\$ 7,982,215
Pledges receivables	<u>110,003</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 8,092,218</u>

For the Year Ended June 30, 2022

2. Liquidity and Availability of Resources, continued

The Food Bank is substantially supported by contributions without donor and with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Food Bank must maintain sufficient resources to meet those responsibilities to its donors. Some of the Organization's net assets with donor restrictions are available for general expenditure within one year of September 30, 2022, because the restrictions on the net assets are expected to be met by conducting the normal program activities of the Organization in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. Additionally, part of the Food Bank's liquidity management plan is to invest cash in excess of the monthly requirements into short-term investments such as certificates deposit and money market funds.

3. Property and Equipment

Property and equipment as of June 30, 2022 consisted of the following:

Furniture and equipment	\$ 130,820
Leasehold improvements	3,044,560
Motor vehicles	568,504
Warehouse equipment	<u>174,056</u>
	3,917,940
Less accumulated depreciation	<u>676,187</u>
Total property and equipment	<u>\$ 3,241,753</u>

Depreciation expense for the year ended June 30, 2022, was \$227,956.

4. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of June 30, 2022, consist of vendor payments due for general expenses and accrued salaries and vacation time.

5. Leases*Operating Leases*

The Food Bank leases its office and warehouse space in Lake Worth, Florida, under a non-cancelable lease arrangement that extends through October 31, 2030, with two five-year renewal options. The lease requires minimum rentals of \$18,547 per month, with annual increases of 2.75 percent, plus proportional common area maintenance costs.

The Food Bank also leases various equipment under non-cancellable lease arrangements that expire at different dates through December 2026.

For the Year Ended June 30, 2022**5. Leases, continued**

Operating right-of-use assets as of June 30, 2022, consisted of the following:

Office and warehouse space	\$ 3,910,610
Equipment	<u>102,937</u>
	4,013,547
Less accumulated depreciation	<u>301,062</u>
Total operating right-of-use assets	<u>\$ 3,712,485</u>

Operating lease obligations as of June 30, 2022, consisted of the following:

Office and warehouse space	\$ 3,815,792
Equipment	<u>78,503</u>
	3,894,295
Less current portion	<u>114,080</u>
Non-current portion	<u>\$ 3,780,215</u>

Operating lease expense for the year ended June 30, 2022, consisted of the following:

	<u>Depreciation</u>	<u>Finance Charges</u>	<u>Total</u>
Office and warehouse space	\$ 144,821	\$ 135,203	\$ 280,024
Equipment	<u>17,244</u>	<u>5,030</u>	<u>22,274</u>
	<u>\$ 162,065</u>	<u>\$ 140,233</u>	<u>\$ 302,298</u>

Undiscounted future lease payments under operating leases as of June 30, 2022, for each of the next five years and in the aggregate are:

2023	\$ 250,714
2024	257,559
2025	264,540
2026	260,327
2027	253,355
Thereafter	<u>4,116,551</u>
	5,403,046
Less discount to present value	<u>1,508,751</u>
Present value of future lease payments	3,894,295
Less current portion	<u>114,080</u>
Non-current portion	<u>\$ 3,780,215</u>

Discount has been calculated using an interest of 3.5% for the office and warehouse space, and 6.50% for the equipment, which approximate the incremental borrowing rates of the Food Bank for the acquisition of the related assets at the time the leases were signed.

For the Year Ended June 30, 2022

5. Leases, continued

Finance Leases

The Food Bank leases motor vehicles and forklifts under finance leases that expire at different dates through February 2028. The assets and liabilities under the finance leases were recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The assets are amortized over the shorter of the lease terms or the estimated useful lives of the assets. Amortization of motor vehicles and forklifts under finance leases are included in depreciation expense in the accompanying financial statements. Depreciation of assets under finance leases charged to expense during the year ended June 30, 2022 was \$77,361. Minimum future lease payments under finance leases as of June 30, 2022 for each of the next five years and in the aggregate are:

2023	\$ 85,635
2024	76,786
2025	64,399
2026	56,829
2027	55,161
Thereafter	<u>31,216</u>
Total minimum lease payments	370,026
Less amount representing interest	<u>59,694</u>
Present value of future minimum lease payments	310,332
Less current portion	<u>65,496</u>
Non-current portion	<u>\$ 244,836</u>

6. Net Assets with Donor Restrictions

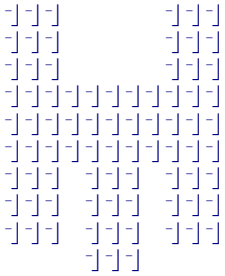
Unexpended net assets with donor restrictions as of June 30, 2022 were restricted for the following purposes or periods:

Subject to expenditures for a specific purpose:	
Benefits outreach	\$ 46,455
Capital purchases	160,197
Childhood Hunger Initiatives	55,000
Food purchase	85,509
Lois' Food4Kids program	1,600,421
Pop Up Pantry	137,548
Weekend Food for Kids	<u>205,509</u>
	<u>2,290,639</u>
Subject to the passage of time:	
Pledges receivable:	
Capital campaign	190,000
Capital purchases	50,000
Lois' Food4Kids program	<u>11,250</u>
	<u>251,250</u>
Total net assets with donor restrictions	<u>\$ 2,541,889</u>

For the Year Ended June 30, 2022

7. Subsequent Events

Management has evaluated subsequent events through February 13, 2023, 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.



Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407

(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

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 County Food Bank, 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 County Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 February 13, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Palm Beach County Food Bank, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Palm Beach County Food Bank, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Palm Beach County Food Bank, Inc.'s internal control.

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

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

Report on Compliance and Other Matters

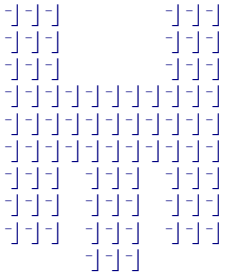
As part of obtaining reasonable assurance about whether Palm Beach County Food Bank, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

Purpose of this Report

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

Holyfield & Thomas, LLC

West Palm Beach, Florida
February 13, 2023



Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407

(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

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

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

Opinion on Each Major Federal Program

We have audited Palm Beach County Food Bank, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Palm Beach County Food Bank, Inc.'s major federal programs for the year ended June 30, 2022. Palm Beach County Food Bank, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Palm Beach County Food Bank, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Palm Beach County Food Bank, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Palm Beach County Food Bank, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Palm Beach County Food Bank, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Holyfield & Thomas, LLC

West Palm Beach, Florida
February 13, 2023

For The Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance on major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Major programs:	
CFDA Number(s)	10.569
Name of Federal Program or Cluster:	U.S. Department of Agriculture - Emergency Food Assistance Program (Food Commodities)
Dollar Threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as a low-risk auditee?	No

For The Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no findings reported for the year ended June 30, 2022, relative to financial reporting for Palm Beach County Food Bank, Inc.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings or questioned costs reported for the year ended June 30, 2022, relative to federal awards for Palm Beach County Food Bank, Inc.

CORRECTIVE ACTION PLAN

There is no corrective action plan required, as there are no findings or question costs reported for the year ended June 30, 2022.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior audit findings or questioned costs for the year ended June 30, 2021, relative to federal awards requiring action on the part of the auditee for that fiscal year.

SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>CFDA Number / Award Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture		
Passed through from Palm Beach County:		
The Emergency Food Assistance Program TEFAP: Food Commodities	10.569	<u>\$ 1,250,000</u>
Total federal expenditures		<u><u>\$ 1,250,000</u></u>

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

For The Year Ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Palm Beach County Food Bank, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Palm Beach County Food Bank, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Palm Beach County Food Bank, Inc.

2. Summary of Significant Accounting Policies

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

3. Scope of Audit Pursuant to Uniform Guidance

All federal grant operations of Palm Beach County Food Bank, Inc. are included in the scope of the Uniform Guidance.

Programs tested as major federal programs included the award received from the U.S. Department of Agriculture under The Emergency Food Assistance Program (TEFAP), with expenditures totaling \$1,250,000.

See independent auditor's report.