

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

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2023  
(with comparable totals for 2022)**

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-3
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6-7
Statement of Functional Expenses	8
<b>NOTES TO FINANCIAL STATEMENTS</b>	9-17
<b>INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROL AND COMPLIANCE</b>	
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
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26



# Holyfield & Thomas, LLC

## Certified Public Accountants & Advisors

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### 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, 2023, 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, 2023, 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 opinion.

#### **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 April 29, 2024, 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 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Holyfield & Thomas, LLC*

West Palm Beach, Florida  
April 29, 2024

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

**STATEMENT OF FINANCIAL POSITION**

**As of June 30, 2023**

**(with comparable totals for 2022)**

	Without Donor Restrictions	With Donor Restrictions	2023 Totals	2022 Totals
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 394,833	\$ 935,131	\$ 1,329,964	\$ 7,982,215
Certificates of deposit	4,529,129	2,038,432	6,567,561	-
Accounts receivable	2,111,394	-	2,111,394	-
Pledges receivable, current portion	13,753	168,750	182,503	110,003
Food inventory	915,128	-	915,128	498,704
Prepaid expenses	243,197	-	243,197	129,612
<b>Total current assets</b>	<b>8,207,434</b>	<b>3,142,313</b>	<b>11,349,747</b>	<b>8,720,534</b>
Pledges receivable	-	287,500	287,500	155,000
Security deposits	22,842	-	22,842	18,058
Property and equipment, net	6,320,578	-	6,320,578	3,241,753
Right-of-use assets:				
Operating leases, net	7,869,401	-	7,869,401	3,712,485
Finance leases, net	177,224	-	177,224	243,125
<b>Total assets</b>	<b>\$ 22,597,479</b>	<b>\$ 3,429,813</b>	<b>\$ 26,027,292</b>	<b>\$ 16,090,955</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 141,676	\$ -	\$ 141,676	\$ 82,716
Accrued expenses	121,720	-	121,720	100,726
Refundable advances	-	-	-	4,261
Lease obligations, current portion:				
Operating leases	160,930	-	160,930	114,080
Finance leases	61,450	-	61,450	65,496
<b>Total current liabilities</b>	<b>485,776</b>	<b>-</b>	<b>485,776</b>	<b>367,279</b>
Lease obligations:				
Operating leases	8,152,040	-	8,152,040	3,780,215
Finance leases	183,385	-	183,385	244,836
<b>Total liabilities</b>	<b>8,821,201</b>	<b>-</b>	<b>8,821,201</b>	<b>4,392,330</b>
Net assets:				
Without donor restrictions	13,776,278	-	13,776,278	9,156,736
With donor restrictions	-	3,429,813	3,429,813	2,541,889
<b>Total net assets</b>	<b>13,776,278</b>	<b>3,429,813</b>	<b>17,206,091</b>	<b>11,698,625</b>
<b>Total liabilities and net assets</b>	<b>\$ 22,597,479</b>	<b>\$ 3,429,813</b>	<b>\$ 26,027,292</b>	<b>\$ 16,090,955</b>

*See accompanying notes to financial statements.*

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

**STATEMENT OF ACTIVITIES**

*For the Year Ended June 30, 2023*

*(with comparable totals for 2022)*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Totals</u>	<u>2022 Totals</u>
Support and revenues:				
Governmental support	\$ 2,194,643	\$ 80,000	\$ 2,274,643	\$ 1,913,196
Foundation support	2,604,882	2,749,935	5,354,817	2,377,235
United Way allocation	3,670,005	55,000	3,725,005	283,969
Other contributions	2,059,760	-	2,059,760	3,274,755
Donated goods	20,740,875	-	20,740,875	15,308,784
Special event income	271,094	-	271,094	217,378
Interest and dividend income	132,312	-	132,312	-
Other income	-	-	-	595
	<u>31,673,571</u>	<u>2,884,935</u>	<u>34,558,506</u>	<u>23,375,912</u>
Net assets released from restrictions	<u>1,997,011</u>	<u>(1,997,011)</u>	<u>-</u>	<u>-</u>
	<u>33,670,582</u>	<u>887,924</u>	<u>34,558,506</u>	<u>23,375,912</u>
Expenses:				
Program services	27,889,618	-	27,889,618	21,903,005
Supporting services:				
Management and general	378,616	-	378,616	295,973
Fundraising	782,806	-	782,806	727,622
	<u>29,051,040</u>	<u>-</u>	<u>29,051,040</u>	<u>22,926,600</u>
Change in net assets	4,619,542	887,924	5,507,466	449,312
Net assets, beginning of year	<u>9,156,736</u>	<u>2,541,889</u>	<u>11,698,625</u>	<u>11,249,313</u>
Net assets, end of year	<u>\$ 13,776,278</u>	<u>\$ 3,429,813</u>	<u>\$ 17,206,091</u>	<u>\$ 11,698,625</u>

*See accompanying notes to financial statements.*

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

**STATEMENT OF CASH FLOWS**

***For the Year Ended June 30, 2023***

***(with comparable totals for 2022)***

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from:		
Governmental support	\$ 1,672,948	\$ 1,913,196
Private gifts and grants	9,360,622	6,582,522
Special events	271,094	217,831
Cash paid to vendors and employees	(7,811,204)	(7,018,595)
Cash paid on operating leases	(347,130)	(241,995)
Interest and dividend income	132,312	-
Other income	-	595
Interest expense paid	<u>(20,138)</u>	<u>(24,713)</u>
Net cash provided by operating activities	<u>3,258,504</u>	<u>1,428,841</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(6,567,561)	-
Purchase of property and equipment	(3,332,913)	(534,724)
Increase in security deposits	<u>(4,784)</u>	<u>-</u>
Net cash used in investing activities	<u>(9,905,258)</u>	<u>(534,724)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for capital campaign	60,000	132,500
Principal payments on lease obligations	<u>(65,497)</u>	<u>(60,921)</u>
Net cash provided by (used in) financing activities	<u>(5,497)</u>	<u>71,579</u>
Net change in cash	(6,652,251)	965,696
Cash and cash equivalents, beginning of year	<u>7,982,215</u>	<u>7,016,519</u>
Cash and cash equivalents, end of year	<u>\$ 1,329,964</u>	<u>\$ 7,982,215</u>

*See accompanying notes to financial statements.*



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

**STATEMENT OF CASH FLOWS**

***For the Year Ended June 30, 2023***

***(with comparable totals for 2022)***

	<u>2023</u>	<u>2022</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 5,507,466	\$ 449,312
Adjustments to reconcile change in net cash to net cash provided by operating activities:		
Depreciation	319,989	305,317
Lease expense	608,889	302,298
(Increase) decrease in certain assets:		
Accounts receivable	(2,111,394)	139,802
Pledges receivable	(265,000)	525,000
Food inventory	(416,424)	20,981
Prepaid expenses	(113,585)	(48,141)
Increase (decrease) in certain liabilities:		
Accounts payable	58,960	8,289
Accrued expenses	20,994	(13,783)
Refundable advances	(4,261)	4,261
Operating lease obligations	(347,130)	(241,995)
Contributions restricted for:		
Capital campaign	<u>-</u>	<u>(22,500)</u>
Net cash provided by operating activities	<u>\$ 3,258,504</u>	<u>\$ 1,428,841</u>

Supplemental information of noncash investing and financing activities:

During 2023, the Food Bank incurred debt of \$4,443,392 in the form of operating leases for the right-of-use of additional warehouse space.

*See accompanying notes to financial statements.*

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

**STATEMENT OF FUNCTIONAL EXPENSES**

*For the Year Ended June 30, 2023*

*(with comparable totals for 2022)*

	Program Services	Supporting Activities		2023 Totals	2022 Totals
		Management and General	Fundraising		
Salaries	\$ 1,524,215	\$ 197,171	\$ 221,226	\$ 1,942,612	\$ 1,684,503
Payroll taxes	116,374	15,095	16,695	148,164	121,356
Employee benefits	252,442	32,744	36,215	321,401	175,522
<b>Total salaries and related benefits</b>	<b>1,893,031</b>	<b>245,010</b>	<b>274,136</b>	<b>2,412,177</b>	<b>1,981,381</b>
Bank card processing charges	24,393	3,164	3,500	31,057	31,494
Conference, meals, and training	16,411	2,129	2,355	20,895	24,792
Contract services	35,958	5,195	2,598	43,751	180,813
Depreciation expense	296,262	19,535	4,192	319,989	305,317
Direct mail campaign	-	-	273,944	273,944	222,642
Dues and subscriptions	13,754	1,784	1,973	17,511	4,729
Fundraising and public relations	-	-	120,053	120,053	128,478
Insurance	152,124	8,203	8,384	168,711	109,905
Interest expense	17,223	1,537	1,378	20,138	24,713
Lease expense	562,763	24,234	21,892	608,889	302,298
Lobbying expense	96,300	5,350	5,350	107,000	102,000
Occupancy expenses	324,036	28,909	25,925	378,870	281,102
Office expenses	39,449	5,117	5,659	50,225	53,207
Payroll processing charges	27,712	3,595	3,976	35,283	31,285
Professional fees and contracts	85,302	11,064	12,238	108,604	90,446
Purchased food distributed	3,156,901	-	-	3,156,901	3,307,334
Technology expenses	69,235	8,980	9,932	88,147	73,221
Telephone, fax, and internet	24,888	3,228	3,570	31,686	32,524
Travel expenses	12,204	1,582	1,751	15,537	18,997
Truck, freight, and fuel costs	566,351	-	-	566,351	153,898
Warehouse operating expenses	137,800	-	-	137,800	106,770
<b>Total expenses before donated goods</b>	<b>7,552,097</b>	<b>378,616</b>	<b>782,806</b>	<b>8,713,519</b>	<b>7,567,346</b>
Donated goods distributed	20,337,521	-	-	20,337,521	15,359,254
<b>Total expenses</b>	<b>\$27,889,618</b>	<b>\$ 378,616</b>	<b>\$ 782,806</b>	<b>\$ 29,051,040</b>	<b>\$ 22,926,600</b>

*See accompanying notes to financial statements.*

***For the Year Ended June 30, 2023***

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

The Palm Beach County Food Bank, Inc. (the "Food Bank") was established in 2012. The Food Bank collects, recovers, purchases, and distributes food to food pantries, soup kitchens, shelters, schools, and other non-profit organizations in Palm Beach County. The Food Bank is a locally led and governed food bank in Palm Beach County that distributes food to partner agencies at no cost. Serving one of the largest counties in Florida from Tequesta to Boca Raton, Belle Glade, and Pahokee to the Coast, the Food Bank successfully operates five programs:

*Partner Marketplace* distributes food to partner agencies on the front line of hunger relief. Food Bank's refrigerated trucks pick up and receive food donations from local farmers, distributors, and retailers. The food is brought to the Food Bank's refrigerated warehouse and sorted by volunteers.

*Childhood Hunger Initiatives (CHI)* – Weekend Food for Kids, Lois' Food4Kids, and School Pantries – provide school-age children who are on free/reduced-price lunch and their families with nutritious, easy-to-prepare food for the weekends. CHI gives families the opportunity to supplement their food budgets and complements meals provided by schools during the school week by providing an additional food resource.

The *Pop-Up Farmers Market* is a direct-distribution program focusing on getting healthy produce into the communities' food deserts. Biweekly, the Food Bank delivers boxes and recipe cards to those communities to supplement their groceries and expose them to healthier eating.

*Groceries for Seniors* partners with senior-centric community organizations to provide low-income seniors (+55) with a biweekly grocery bag of nutritious shelf-stable food and recipe cards to supplement their groceries.

The *Benefits Outreach Program* assists individuals and families with applying for the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and Cash Assistance free of charge. Food Bank is one of only four organizations in Florida that provides the Department of Children & Families required federal food relief interview. The interview is conducted during a meeting with one of the Food Bank's benefits specialist, who speak English, Spanish, and Haitian Creole.

*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.

***For the Year Ended June 30, 2023***

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

***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.

*Certificates of Deposit:* The carrying amount reported approximates fair value due to the short-term duration of the instruments.

*Accounts and Pledges Receivable:* The carrying amount approximates fair value due to the short-term repayment 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.

***For the Year Ended June 30, 2023***

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

From time-to-time balances of these cash accounts may exceed federally insured limits. 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, 2023, the accounts were approximately \$1,019,800 in excess of the FDIC limit.

***Certificates of Deposit***

The Food Bank holds certificates of deposit with various financial institutions. These instruments represent time deposits with fixed maturity dates ranging from 3 to 12 months. The certificates of deposit have interest rates that vary between 3.95% and 5.20%, and are used primarily for short-term liquidity management.

***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.

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. Contributions receivable in the amount of \$287,500 were due beyond one year as of June 30, 2023. No discount was recorded for receivables due in more than one year as the amount of such discount were considered immaterial.

***Food Inventory***

Food inventory consists of food and other grocery products that are valued at lower of cost or market if purchased, and at estimated fair value if donated. The estimated fair value used during the year was \$1.92 per pound, which is the average wholesale value as determined by a national network of food banks. As of June 30, 2023, food inventory consisted of approximately \$46,400 of purchased food (34,200 pounds) and \$868,700 of donated food (452,500 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.

***For the Year Ended June 30, 2023***

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

***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, 2023, the Food Bank received approximately 10,836,000 pounds of donated goods from approximately 109 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 donated services for the year ended June 30, 2023.

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.

***For the Year Ended June 30, 2023***

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**1. Business and Summary of Significant Accounting Policies, continued***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 \$8,583 of advertising costs during the year ended June 30, 2023.

*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.

*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, 2022, from which the summarized information was derived.

***For the Year Ended June 30, 2023***

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**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	\$ 1,329,964
Certificates of deposit	6,567,561
Accounts receivable	2,111,394
Pledges receivable	<u>182,503</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 10,191,422</u>

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 Food Bank's net assets with donor restrictions are available for general expenditure within one year of June 30, 2023, because the restrictions on the net assets are expected to be met by conducting the normal program activities of the Food Bank 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.

**3. Property and Equipment**

Property and equipment as of June 30, 2023 consisted of the following:

Furniture and equipment	\$ 130,820
Leasehold improvements	3,044,560
Motor vehicles	680,108
Warehouse equipment	<u>190,936</u>
	4,046,424
Less accumulated depreciation	(930,275)
Construction in progress	<u>3,204,429</u>
Total property and equipment	<u>\$ 6,320,578</u>

Depreciation expense for the year ended June 30, 2023, was \$254,088.

As of June 30, 2023, the Food Bank's construction in progress consisted of the accumulated costs associated with the kitchen expansion project.

**4. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses as of June 30, 2023, consist of vendor payments due for general expenses and accrued salaries and vacation time.



***For the Year Ended June 30, 2023*****5. Leases***Operating Leases*

The Food Bank leases its office, warehouse, and future kitchen and processing space in Lake Worth, Florida, under non-cancelable lease arrangements that extend through January 31, 2033, including one ten-year renewal option. The leases require minimum rentals of \$38,342 per month, with annual increases of 2.75 percent, plus proportional common area maintenance costs.

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

Operating right-of-use assets as of June 30, 2023, consisted of the following:

Office and warehouse space	\$ 4,049,715
Future kitchen and processing space	4,028,791
Equipment	<u>102,937</u>
	8,181,443
Less accumulated amortization	<u>312,042</u>
Net operating right-of-use assets	<u>\$ 7,869,401</u>

Operating lease obligations as of June 30, 2023, consisted of the following:

Office and warehouse space	\$ 4,171,909
Future kitchen and processing space	4,081,940
Equipment	<u>59,121</u>
	8,312,970
Less current portion	<u>160,930</u>
Non-current portion	<u>\$ 8,152,040</u>

Undiscounted future lease payments under operating leases as of June 30, 2023, for each of the next five years and in the aggregate are:

2024	\$ 491,823
2025	505,786
2026	508,791
2027	509,276
2028	523,270
Thereafter	<u>9,930,911</u>
	12,469,857
Less discount to present value	<u>4,156,887</u>
Present value of future lease payments	8,312,970
Less current portion	<u>160,930</u>
Non-current portion	<u>\$ 8,152,040</u>

***For the Year Ended June 30, 2023*****5. Leases, continued***Operating Leases, continued*

Operating lease expense for the year ended June 30, 2023, consisted of the following:

	<u>Amortization</u>	<u>Finance Charges</u>	<u>Total</u>
Office and warehouse space	\$ 139,462	\$ 167,035	\$ 306,497
Future kitchen and processing space	128,362	149,564	277,926
Equipment	<u>19,926</u>	<u>4,540</u>	<u>24,466</u>
	<u>\$ 287,750</u>	<u>\$ 321,139</u>	<u>\$ 608,889</u>

Discounts have been calculated using interest rates of 4% for the office, warehouse, and future kitchen and processing space, and 6.50% for the equipment. These interest rates approximate the incremental borrowing rates of the Food Bank for the acquisition of the related assets at the time the leases were signed.

The weighted average lease term for the operating leases is 19.46 years. The weighted average discount rate for the operating leases is 4.01%.

*Finance Leases*

The Food Bank also 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, 2023 was \$65,901.

Minimum future lease payments under finance leases as of June 30, 2023 for each of the next five years and in the aggregate are:

2024	\$ 76,786
2025	64,399
2026	56,829
2027	55,161
2028	<u>31,193</u>
Total minimum lease payments	284,368
Less amount representing interest	<u>39,533</u>
Present value of future minimum lease payments	244,835
Less current portion	<u>61,450</u>
Non-current portion	<u>\$ 183,385</u>

***For the Year Ended June 30, 2023***

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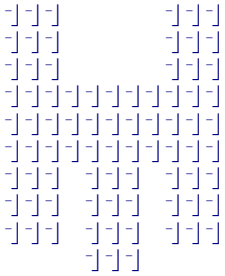
**6. Net Assets with Donor Restrictions**

Unexpended net assets with donor restrictions as of June 30, 2023 were restricted for the following purposes or periods:

Subject to expenditures for a specific purpose:	
Capital purchases	\$ 603,509
Childhood Hunger Initiatives	135,180
Backpack program	2,046,274
Pop Up Pantry	<u>188,600</u>
	<u>2,973,563</u>
Subject to the passage of time:	
Pledges receivable:	
Capital campaign	130,000
Capital purchases	25,000
Backpack program	11,250
Operations	<u>290,000</u>
	<u>456,250</u>
Total net assets with donor restrictions	<u>\$ 3,429,813</u>

**7. Subsequent Events**

Management has evaluated subsequent events through April 29, 2024, 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

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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 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, 2023, 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 April 29, 2024.

### ***Report on 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***

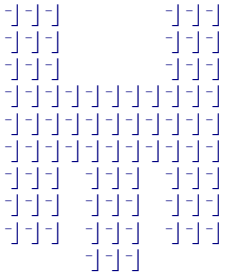
As part of obtaining reasonable assurance about whether Palm Beach County Food Bank, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 on 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  
April 29, 2024



# Holyfield & Thomas, LLC

## Certified Public Accountants & Advisors

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### 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, 2023. 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, 2023.

#### ***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  
April 29, 2024



*For The Year Ended June 30, 2023*

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**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:	
Assistance Listing Number (ALN)	14.218
Name of Federal Program or Cluster:	U.S. Department of Housing and Urban Development - Community Development Block Grant CARES Act (CDBG-CV)
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, 2023*

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

There are no findings reported for the year ended June 30, 2023, 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, 2023, 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, 2023.

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

There were no prior audit findings or questioned costs for the year ended June 30, 2022, relative to federal awards requiring action on the part of the auditee for that fiscal year.

## **SUPPLEMENTARY INFORMATION**

*For the Year Ended June 30, 2023*

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<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>ALN (CFDA) / Award Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Passed through from Palm Beach County:		
Community Development Block Grant - CARES Act (CDBG-CV)		
Partner Marketplace - Food Distribution	14.218	<u>\$ 1,107,968</u>
Total federal expenditures		<u><u>\$ 1,107,968</u></u>

*See independent auditor's report and accompanying notes to  
schedule of expenditures of federal awards.*

*For The Year Ended June 30, 2023*

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**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, 2023. 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. Indirect Cost Rate**

Palm Beach County Food Bank, Inc. has elected not to use the 10% de minimis indirect cost allowed under the Uniform Guidance.

*See independent auditor's report.*