

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

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2020
(with comparable totals for 2019)**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Palm Beach County Food Bank, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palm Beach County Food Bank, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the June 30, 2019 financial statements, and our report dated October 24, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

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

Holyfield & Thomas, LLC

West Palm Beach, Florida
October 30, 2019

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF FINANCIAL POSITION

As of June 30, 2020

(with comparable totals for 2019)

ASSETS	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Totals</u>	<u>2019 Totals</u>
Current assets:				
Cash and cash equivalents	\$ 2,717,487	\$ 1,535,817	\$ 4,253,304	\$ 1,177,696
Grants and contributions receivable	-	-	-	8,910
Pledges receivable, current portion	73,753	594,250	668,003	525,000
Food inventory	995,193	-	995,193	788,831
Prepaid expenses	27,537	-	27,537	7,471
Total current assets	<u>3,813,970</u>	<u>2,130,067</u>	<u>5,944,037</u>	<u>2,507,908</u>
Pledges receivable	-	732,500	732,500	42,500
Other assets	45,108	-	45,108	27,450
Property and equipment, net	<u>225,158</u>	<u>-</u>	<u>225,158</u>	<u>221,104</u>
Total assets	<u><u>\$ 4,084,236</u></u>	<u><u>\$ 2,862,567</u></u>	<u><u>\$ 6,946,803</u></u>	<u><u>\$ 2,798,962</u></u>
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 103,862	\$ -	\$ 103,862	\$ 55,182
Accrued expenses	90,635	-	90,635	67,146
Refundable advances	17,262	-	17,262	21,550
Deferred revenue	15,000	-	15,000	-
Current portion of obligation under capital lease	<u>22,283</u>	<u>-</u>	<u>22,283</u>	<u>15,470</u>
Total current liabilities	249,042	-	249,042	159,348
Obligation under capital lease	76,069	-	76,069	66,301
Loan payable	<u>214,444</u>	<u>-</u>	<u>214,444</u>	<u>-</u>
Total liabilities	<u>539,555</u>	<u>-</u>	<u>539,555</u>	<u>225,649</u>
Net assets:				
Without donor restrictions	3,544,681	-	3,544,681	1,245,928
With donor restrictions	<u>-</u>	<u>2,862,567</u>	<u>2,862,567</u>	<u>1,327,385</u>
Total net assets	<u>3,544,681</u>	<u>2,862,567</u>	<u>6,407,248</u>	<u>2,573,313</u>
Total liabilities and net assets	<u><u>\$ 4,084,236</u></u>	<u><u>\$ 2,862,567</u></u>	<u><u>\$ 6,946,803</u></u>	<u><u>\$ 2,798,962</u></u>

See accompanying notes to financial statements.

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

(with comparable totals for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Totals</u>	<u>2019 Totals</u>
Support and revenues:				
Governmental support	\$ 537,772	\$ 50,000	\$ 587,772	\$ 595,120
Foundation support	288,677	552,500	841,177	842,281
United Way allocation	267,859	56,250	324,109	240,290
Other contributions	3,342,827	1,901,159	5,243,986	1,657,359
Donated goods	16,562,885	-	16,562,885	8,150,248
Special event income	186,067	-	186,067	307,466
Other income	1,271	-	1,271	992
	<u>21,187,358</u>	<u>2,559,909</u>	<u>23,747,267</u>	<u>11,793,756</u>
Net assets released from restrictions	<u>1,024,727</u>	<u>(1,024,727)</u>	<u>-</u>	<u>-</u>
	<u>22,212,085</u>	<u>1,535,182</u>	<u>23,747,267</u>	<u>11,793,756</u>
Expenses:				
Program services	19,165,523	-	19,165,523	10,375,052
Supporting services:				
Management and general	150,529	-	150,529	112,790
Fundraising	597,280	-	597,280	594,696
	<u>19,913,332</u>	<u>-</u>	<u>19,913,332</u>	<u>11,082,538</u>
Loss on sale of asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,932</u>
Change in net assets	2,298,753	1,535,182	3,833,935	707,286
Net assets, beginning of year	<u>1,245,928</u>	<u>1,327,385</u>	<u>2,573,313</u>	<u>1,866,027</u>
Net assets, end of year	<u>\$ 3,544,681</u>	<u>\$ 2,862,567</u>	<u>\$ 6,407,248</u>	<u>\$ 2,573,313</u>

See accompanying notes to financial statements.

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF CASH FLOWS

*For the Year Ended June 30, 2020**(with comparable totals for 2019)*

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from:		
Governmental support	\$ 587,772	\$ 545,120
Private gifts and grants	4,890,520	2,112,879
Special events	194,977	281,056
Cash paid to vendors and employees	(3,422,753)	(3,066,265)
Other income	1,271	992
Interest expense paid	<u>(5,766)</u>	<u>(6,910)</u>
Net cash provided by (used in) operating activities	<u>2,246,021</u>	<u>(133,128)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(48,191)	(1,209)
Increase in other assets	<u>(17,658)</u>	<u>-</u>
Net cash used in investing activities	<u>(65,849)</u>	<u>(1,209)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for capital campaign	696,461	246,101
Proceeds from loan payable	214,444	-
Principal payments on obligation under capital lease	<u>(15,469)</u>	<u>(14,325)</u>
Net cash provided by financing activities	<u>895,436</u>	<u>231,776</u>
Net change in cash	3,075,608	97,439
Cash and cash equivalents, beginning of year	<u>1,177,696</u>	<u>1,080,257</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,253,304</u></u>	<u><u>\$ 1,177,696</u></u>

See accompanying notes to financial statements.

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

(with comparable totals for 2019)

	<u>2020</u>	<u>2019</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 3,833,935	\$ 707,286
Adjustments to reconcile change in net cash to net cash provided by (used in) operating activities:		
Depreciation	76,187	105,289
Loss on disposal of asset	-	3,932
(Increase) decrease in certain assets:		
Accounts receivable	8,910	(8,910)
Grants and contributions receivable	(735,003)	(85,000)
Food inventory	(206,362)	(248,351)
Prepaid expenses	(20,066)	4,796
Increase (decrease) in certain liabilities:		
Accounts payable	48,680	(11,471)
Accrued expenses	23,489	8,852
Refundable advances	(4,288)	21,550
Deferred revenue	15,000	(17,500)
Contributions restricted for:		
Capital campaign	<u>(794,461)</u>	<u>(613,601)</u>
Net cash provided by (used in) operating activities	<u>\$ 2,246,021</u>	<u>\$ (133,128)</u>

Supplemental information of noncash investing and financing activities:

During 2020, the Food Bank incurred debt of \$32,050 in the form of a capital lease used to acquire a new warehouse vehicle.

See accompanying notes to financial statements.

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

(with comparable totals for 2019)

	Program Services	Supporting Activities		2020 Totals	2019 Totals
		Management and General	Fundraising		
Salaries	\$ 997,001	\$ 87,175	\$ 88,907	\$ 1,173,083	\$ 1,052,098
Payroll taxes	77,170	6,391	6,515	90,076	77,410
Employee benefits	95,036	7,871	8,023	110,930	130,876
Total salaries and related benefits	1,169,207	101,437	103,445	1,374,089	1,260,384
Conference, meals and training	11,198	927	945	13,070	20,982
Contract services	83,838	2,343	2,343	88,524	51,032
Depreciation expense	73,368	2,572	247	76,187	105,289
Dues and subscriptions	5,417	449	457	6,323	6,585
Insurance	61,433	2,640	2,070	66,143	53,058
Interest expense	5,766	-	-	5,766	6,910
Fundraising and public relations	-	-	449,487	449,487	432,150
Occupancy expenses	244,877	20,629	14,528	280,034	277,296
Office expenses	71,244	5,902	6,014	83,160	38,834
Professional fees and contracts	113,378	9,071	13,097	135,546	132,422
Purchased food distributed	627,701	-	-	627,701	495,920
Technology expenses	31,002	2,568	2,617	36,187	34,898
Telephone, fax, and internet	15,382	1,274	1,299	17,955	16,049
Travel expenses	8,653	717	731	10,101	13,980
Truck, freight and fuel costs	105,640	-	-	105,640	91,532
Warehouse operating expenses	156,554	-	-	156,554	152,852
Total expenses before donated goods	2,784,658	150,529	597,280	3,532,467	3,190,173
Donated goods distributed	16,380,865	-	-	16,380,865	7,892,365
Total expenses	\$ 19,165,523	\$ 150,529	\$ 597,280	\$ 19,913,332	\$ 11,082,538

See accompanying notes to financial statements.

For the Year Ended June 30, 2020

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, 2020, it served over 250 organizations through 4 programs. It distributed over 10 million pounds of food to over 145 agencies on the front-line of hunger relief from Tequesta to Boca Raton and from Belle Glade and Pahokee to the Coast. In addition, The Food Bank operates the Lois' Food4Kids program which served weekend food packs to upwards of 6,000 children at 76 partner agencies throughout the year. The Benefits Outreach program helped almost 7,000 individuals receive over \$4 million of federal food benefit assistance, and graduated over 600 participants from Marjorie S. Fisher Nutrition Driven, a nutrition education program in partnership with the Palm Beach County Extension/University of Florida Institute for Food and Agriculture Sciences.

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 that 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, 2020

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.

Grants, Contributions, 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.

Capital Lease: 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 exceed federally insured limits. The Food Bank has not experienced any loss on such accounts and management believes the Food Bank is not exposed to any significant credit risk arising from such balances. As of June 30, 2020, there was approximately \$3,197,000 in excess of the FDIC limit.

Grants, Contributions and Pledges Receivable

Grants receivable are recorded when services have been rendered and the granting authority has been billed. If events or changes in circumstances indicate that specific receivable balances may be disallowed by the granting authority, the receivable balances are written-off as an operating expense.

For the Year Ended June 30, 2020

1. Business and Summary of Significant Accounting Policies, continued*Grants, Contributions 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 \$732,500 in contributions receivable due beyond one year as of June 30, 2020.

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 \$1.62 per pound, which is the average wholesale value as determined by a national network of food banks. As of June 30, 2020, food inventory consisted of approximately \$108,200 of purchased food (101,700 pounds) and \$887,000 of donated foods (547,500 pounds).

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 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, 2020

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

The Food Bank reports the fair value of contributed food inventory over which it has control (i.e., variance power) as public support without donor restrictions and, shortly thereafter, as expense when granted to member food banks. During the year ended June 30, 2020, Food Bank received approximately 10,224,000 pounds of donated goods from approximately 285 donors and their subsidiaries.

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

Functional Allocation of Expenses

The 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 \$9,755 advertising costs during the year ended June 30, 2020.

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.

For the Year Ended June 30, 2020

1. Business and Summary of Significant Accounting Policies, continued

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, 2019, from which the summarized information was derived.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenues from Contracts with Customers* (Topic 606) and has modified the standard thereafter. This standard replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU No. 2014-09 is effective for annual reporting periods in fiscal years that begin after December 15, 2022. Management is currently evaluating the standard and does not anticipate it will have a material impact on the Food Bank’s financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding “right-of-use” assets. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2020. Management is currently evaluating the magnitude and other potential impacts on the Food Banks's financial statements.

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	\$ 2,717,487
Pledges receivables	<u>73,753</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,791,240</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.

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.

For the Year Ended June 30, 2020

3. Other Assets

Other current assets as of June 30, 2020 consisted of utilities, rent, lease and other deposits.

4. Property and Equipment

Property and equipment as of June 30, 2020 consisted of the following:

Furniture and equipment	\$ 46,825
Leasehold improvements	167,246
Motor vehicles	505,807
Motor vehicle under capital lease	114,595
Warehouse equipment	140,541
Warehouse equipment under capital lease	32,050
Construction in progress	<u>7,556</u>
	1,014,620
Less accumulated depreciation	<u>789,462</u>
Total property and equipment	<u>\$ 225,158</u>

Construction in progress consists of costs related to the interior buildout of a new facility space (see Note 10).

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of June 30, 2020, consist of vendor payments due for general expenses and accrued salaries and vacation time.

6. Refundable Advances

Refundable advances as of June 30, 2020, consist of unspent funds awarded to the Food Bank in a collaborative effort to increase cold storage capacity in Palm Beach County.

7. Loan Payable

On April 20, 2020, the Food Bank received loan proceeds of \$214,444 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES ACT"), provides for loans to qualifying businesses for amount up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities and maintains its payroll levels. On June 5, 2020, the PPP Flexibility Act extended the covered period during which forgivable costs must be accumulated from eight weeks to 24 weeks. The Food Bank intends to use the loan proceeds for purposes consistent with the PPP in order to meet the conditions for full forgiveness of the loan.

*For the Year Ended June 30, 2020***8. Lease Obligations***Capital Leases*

The Food Bank leases a motor vehicle and forklift under a capital leases which expire in January 2024 and June 2025, respectively. The assets and liabilities under the capital 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 vehicle and forklift under capital leases are included in depreciation expense in the accompanying financial statements. Depreciation of assets under capital leases charged to expense during the year ended June 30, 2020 was \$23,300.

Minimum future lease payments under capital leases as of June 30, 2020 for each of the next five years and in the aggregate are:

Year Ended <u>June 30,</u>	
2021	\$ 28,806
2022	28,806
2023	28,806
2024	19,957
2025	<u>7,570</u>
Total minimum lease payments	113,945
Less amount representing interest	<u>15,593</u>
Present value of future minimum lease payments	98,352
Less current portion	<u>22,283</u>
Non-current portion	<u>\$ 76,069</u>

Operating Lease

The Food Bank leases its office and warehouse space in Lantana, Florida, under a non-cancelable lease arrangement that extends through March 2021. The lease requires minimum rentals of \$11,008 per month; however, this amount was greatly discounted for the first three months of the coronavirus shutdown.

The Food Bank also leases two additional warehouse spaces in Lantana, Florida, under separate non-cancelable lease arrangements that extend through March 2021. The leases require minimum rentals of \$4,085 and \$2,175 per month, respectively.

During the year ended June 30, 2020, the Food Bank entered into a lease for its new warehouse/office space in Lake Worth, Florida, under a non-cancelable lease arrangement which extends through October 2030. The lease requires minimum rentals of \$18,058 per month, beginning November 15, 2020, with annual increases of 2.75 percent, plus proportional common area maintenance costs.

For the Year Ended June 30, 2020

8. Lease Obligations, continued

Rent expense for the year ended June 30, 2020 amounted to \$192,418, which is reported within occupancy expenses in the Statement of Functional Expenses. Future lease commitments in years subsequent to June 30, 2020 are as follows:

Year Ended <u>June 30,</u>	
2021	\$ 290,398
2022	220,604
2023	226,662
2024	233,000
2025	239,431
Thereafter	<u>1,391,849</u>
	<u>\$ 2,601,944</u>

9. Net Assets with Donor Restrictions

Unexpended net assets with donor restrictions as of June 30, 2020 were restricted for time and/or purpose as follows:

Capital campaign	\$ 1,326,331
Capital purchases	160,000
Food purchase	133,813
Lois' Food4Kids program	1,164,996
Nutrition Driven program	<u>77,427</u>
Total net assets with donor restrictions	<u>\$ 2,862,567</u>

10. Capital Campaign

Two years ago, the Food Bank began a capital campaign to raise funds for a move to a facility which will allow it to procure and distribute larger amounts of produce, meat, canned and dry goods and other nutritious foods. As of June 30, 2020, the capital campaign had raised \$1,408,062, including outstanding promises to give of \$465,500. Expenditures totaling \$81,731 leave a balance of \$1,326,331 to cover future costs of the move. The expenditures consisted of \$38,060 for campaign publications and promotion, \$36,115 for security deposit and first month's rent for new warehouse/office space and \$7,556 for architectural plans. Capital campaign income and expenses are shown as support with donor restrictions in the Statement of Activities. The supplemental Schedule of Revenues and Expenses shows the capital campaign income and expenses separate from those of ongoing operations.

For the Year Ended June 30, 2020

11. Subsequent Events

On September 8, 2020 the Food Bank entered into a building contract in the amount of \$2,690,000 for the interior buildout of new facility space to include freezer, cooler, and dry goods storage along with administrative offices. The facility lease provides a \$279,600 buildout allowance; therefore, the net cost will be approximately \$2,410,000. The Food Bank expects construction to be completed by February 2021; a move is anticipated for March 2021.

Management has evaluated subsequent events through October 30, 2019, 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.

SUPPLEMENTARY INFORMATION

PALM BEACH COUNTY FOOD BANK, INC.

**SCHEDULE OF REVENUES AND EXPENSES
- OPERATIONS AND CAPITAL CAMPAIGN**

For the Year Ended June 30, 2020

	<u>Operations</u>	<u>Capital Campaign</u>	<u>Totals</u>
Support and revenues:			
Governmental support	\$ 587,772	\$ -	\$ 587,772
Foundation support	841,177	-	841,177
United Way allocation	324,109	-	324,109
Other contributions	4,449,525	794,461	5,243,986
Donated goods	16,562,885	-	16,562,885
Special events	186,067	-	186,067
Other income	1,271	-	1,271
	<u>22,952,806</u>	<u>794,461</u>	<u>23,747,267</u>
Total support and revenues			
Expenses:			
Salaries	1,173,083	-	1,173,083
Payroll taxes	90,076	-	90,076
Employee benefits	110,930	-	110,930
	<u>1,374,089</u>	<u>-</u>	<u>1,374,089</u>
Total salaries and related benefits			
Conference, meals and training	13,070	-	13,070
Contract services	88,524	-	88,524
Depreciation expense	76,187	-	76,187
Dues and subscriptions	6,323	-	6,323
Insurance	66,143	-	66,143
Interest expense	5,766	-	5,766
Fundraising and public relations	436,855	12,632	449,487
Occupancy expenses	280,034	-	280,034
Office expenses	83,121	39	83,160
Professional fees and contracts	135,046	500	135,546
Purchased food distributed	627,701	-	627,701
Technology expenses	36,187	-	36,187
Telephone, fax, and internet	17,955	-	17,955
Travel expenses	10,101	-	10,101
Truck, freight and fuel costs	105,640	-	105,640
Warehouse operating expenses	156,554	-	156,554
	<u>3,519,296</u>	<u>13,171</u>	<u>3,532,467</u>
Total			
Excess of revenues over expenses before loss on sale of asset and donated goods distributions	19,433,510	781,290	20,214,800
Donated goods distributed	<u>(16,380,865)</u>	<u>-</u>	<u>(16,380,865)</u>
Excess of revenues over expenses	<u>\$ 3,052,645</u>	<u>\$ 781,290</u>	<u>\$ 3,833,935</u>

See independent auditor's report.