

**Palm Beach State College  
Foundation, Inc.  
(A Component Unit of Palm  
Beach State College)**

**FINANCIAL STATEMENTS**

**December 31, 2022 and  
2021**



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Palm Beach State College Foundation, Inc.  
Lake Worth, Florida

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the business-type activities of Palm Beach State College Foundation, Inc. (the "Foundation"), a component unit of Palm Beach State College (the "College"), as of and for the years December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Foundation as of December 31, 2022 and 2021, and the respective changes in financial position, and the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 the Foundation 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 these 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 the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including, any currently known information that may raise substantial doubt shortly thereafter.

### ***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 GAAS 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 GAAS 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 the Foundation'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 the Foundation'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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2023, on our consideration of the Foundation'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 the Foundation'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 the Foundation's internal control over financial reporting and compliance.

May 17, 2023  
Melbourne, FL

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

**Palm Beach State College Foundation, Inc  
(A Component Unit of Palm Beach State College)**

**Management’s Discussion & Analysis**

**For the years ended December 31, 2022 and 2021**

This Management Discussion and Analysis of the Palm Beach State College Foundation Inc.’s (“Foundation”) financial statements provide an overview of the Foundation’s financial activities for the fiscal years ended December 31, 2022 and 2021. The presentation of 2020 financial information is included for financial analysis and comparison to the 2021 information. The financial statements should be read in conjunction with the related note disclosures and this Management Discussion and Analysis. The Foundation is responsible for the completeness and fairness of this information.

These financial statements are presented in the Governmental Accounting Standards Board (“GASB”) format for reporting as a component unit in the College’s financial statements. The financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows.

**Financial Highlights**

**Summarized Statements of Net Position (in thousands)**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current Assets	\$ 30,573	\$ 36,828	\$ 29,663
Noncurrent Assets	24,619	24,722	26,188
<b>Total Assets</b>	<b>55,192</b>	<b>61,550</b>	<b>55,851</b>
Current Liabilities	1,540	284	832
Noncurrent Liabilities	422	585	872
<b>Total Liabilities</b>	<b>1,962</b>	<b>869</b>	<b>1,704</b>
Restricted			
Permanent endowments	22,961	21,229	20,726
Student assistance and College programs	18,712	24,454	20,913
Unrestricted	11,557	14,998	12,508
<b>Total Net Position</b>	<b>53,230</b>	<b>60,681</b>	<b>54,147</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 55,192</b>	<b>\$ 61,550</b>	<b>\$ 55,851</b>

**Foundation Assets**

The total assets of the Foundation as of December 31, 2022, were \$55.2 million. This reflected a decrease of \$6.4 million from the previous year of \$61.6 million due to market losses impacting investments; and in 2021, an increase of \$5.7 million from the previous year of \$55.9 million due to increased investments.

## Liabilities

As of December 31, 2022, the liabilities amounted to \$2.0 million, which includes \$0.5 million for 4 annuity contracts. The corresponding annuity liability as of December 31, 2021 and 2020 was \$0.65 million and \$0.94 million, for 4 annuity contracts in 2021 and 2020. Accounts payable was \$1.5 million in 2022 and \$0.22 million in 2021. This increase was mainly due to accrued scholarships at year end. Accounts payable in 2020 was \$0.77 million mainly due to a large order of student laptops at the end of 2020 for the FLP project.

## Net Position

The Foundation's components of the net position for the fiscal years ended December 31, 2022, 2021 and 2020 are shown in the following table (in thousands):

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Permanently Restricted	\$ 22,961	\$ 21,229	\$ 20,726
Temporarily Restricted	18,712	24,454	20,913
Unrestricted	11,557	14,998	12,508
Total net position	<u>\$ 53,230</u>	<u>\$ 60,681</u>	<u>\$ 54,147</u>

The primary reason for the decrease of \$7.5 million in total net position from 2022 to 2021 is due to the impact of market losses on investments.

## Operating Results

### Summarized Statement of Revenues, Expenses and Changes in Net Position for the Years Ended December 31, (in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues (Expenses)			
Total operating revenue	\$ 3,718	\$ 3,908	\$ 11,515
Total operating expenses	(5,348)	(3,624)	(4,373)
Income from operations	(1,630)	284	7,142
Nonoperating revenues			
Contributions to endowments	1,699	453	946
Net realized and unrealized gains on investments	(8,665)	4,712	4,184
Interest and dividend income	1,145	1,085	802
Total nonoperating revenues	(5,821)	6,250	5,932
Change in net position	(7,451)	6,534	13,074
Net position, beginning of the year	60,681	54,147	41,073
Net position, end of the year	<u>\$ 53,230</u>	<u>\$ 60,681</u>	<u>\$ 54,147</u>

## Revenues

The following table compares the revenues earned by the Foundation in 2022, 2021 and 2020, by category.

### Revenues for the Years Ended December 31, (in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contributions & Gifts	\$ 4,082	\$ 3,151	\$ 11,210
Donated Services	902	669	742
Grants and matching funds	200	173	228
Fundraising	233	368	281
Investment Income (loss)	(7,520)	5,797	4,987
Total Revenue	<u>\$ (2,103)</u>	<u>\$ 10,158</u>	<u>\$ 17,448</u>

The total revenue for 2022 represents a significant decrease of \$12.3 million from the 2021 revenue. The primary reason for this difference was the decrease in realized and unrealized losses on investments of \$8.7 million in 2022 which had gains of \$4.7 million in 2021. The total revenue for 2021 represents a significant decrease of \$7.3 million from the 2020. The primary reason for this difference was the increase in contribution and gifts of \$7 million in 2020 which were not repeated in 2021. The Foundation received state allocations under the First Generation in College Matching Grant for the years ended December 31, 2022, 2021, and 2020 in the amount of \$164,499, \$172,937 and \$177,999, respectively.

## Expenses

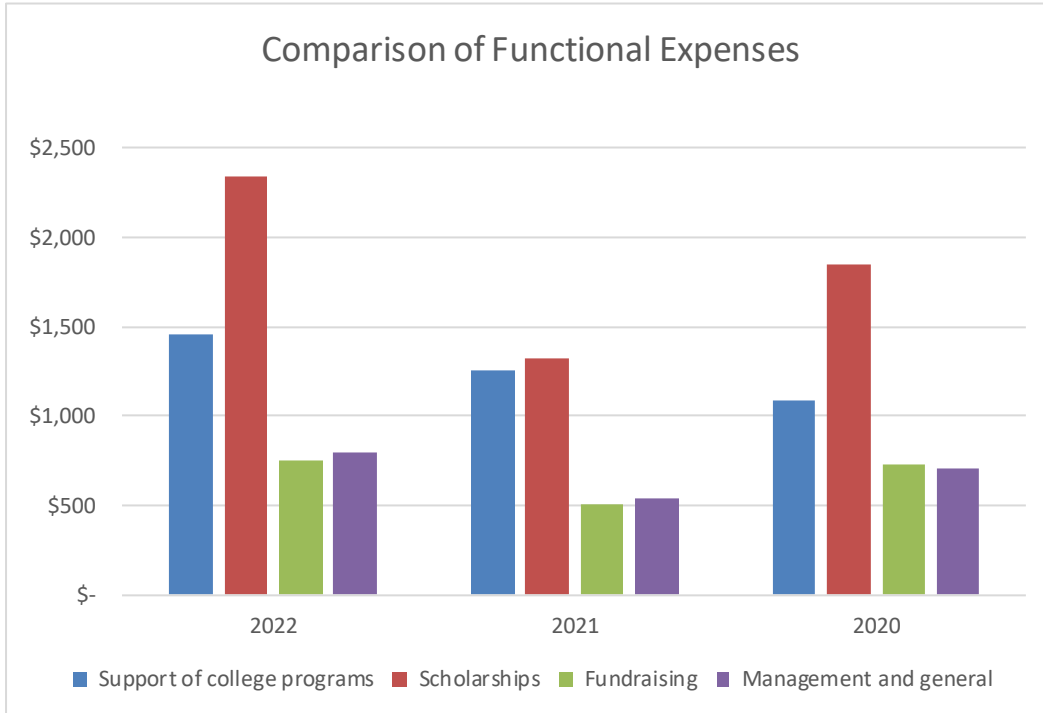
Total expenses for 2022 and 2021 are fairly consistent with no significant decrease from 2020.

### Expenses for the Years Ended December 31, (in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Support of College Programs	\$ 1,454	\$ 1,244	\$ 1,094
Scholarships	2,343	1,324	1,849
Fundraising	758	512	727
Management & General	793	544	703
Total	<u>\$ 5,348</u>	<u>\$ 3,624</u>	<u>\$ 4,373</u>

## Comparative Trend Analysis of Foundation Functional Expenses

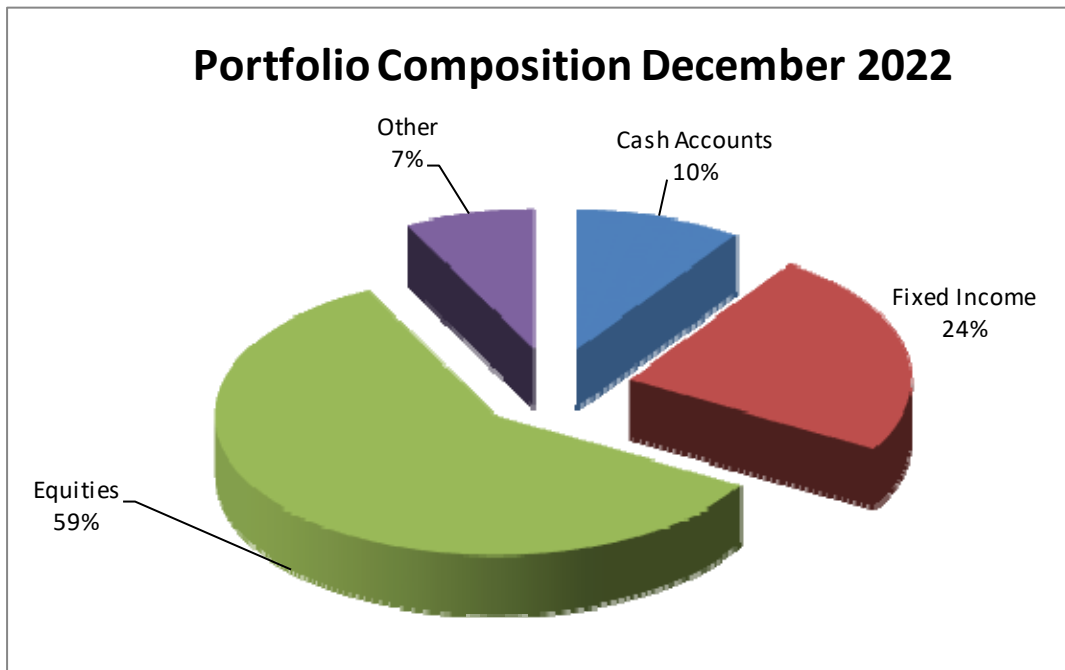
The graphic below compares the Foundation's Functional Expenses - Support of college programs, Scholarships, Fundraising, and Management and General Overhead for the periods 2022 through 2020.



## Investments Performance

The return on investments as of December 31, 2022 based on the past 12 months actual performance was (16.00%) whereas it was 11.37% for the 12 months ending December 31, 2021.

The total value of the portfolio including cash as of December 31, 2022 was \$49.7 million (\$54.8 million as of December 31, 2021). The graphic below presents the composition of the portfolio as of December 31, 2022.



## Outlook 2023

Established in 1973, The Palm Beach State College Foundation, Inc., is a 501c3 corporation, celebrating 50 years of serving as the direct support organization for Palm Beach State College. The College, which was founded in 1933 as Florida's first public junior college, is celebrating 90 years as this county's largest institution of higher education. The Foundation anchors the College's Office of Institutional Advancement, which currently encompasses Resource and Grant Development, Major Gift Fundraising, Alumni Relations and Annual Giving, Corporate and Foundation Relations, Planned- Deferred Giving, the Palm Beach State College Theatres, and the College's Early Childhood Development Program.

## Outlook 2023 (continued)

The Foundation exists to secure, steward and distribute resources in support of the College's highest priorities and greatest needs. This is accomplished by first, increasing awareness of the College and its impact on the community. Next, we invite stakeholders and partners who wish to join us in our mission to become engaged with some facet of the College. Philanthropic giving to Palm Beach State College follows that engagement process and is achieved by creating lasting genuine relationships centered around what is best for our donors and the students we serve. The Foundation team delivers responsive, professional, and timely service to all stakeholders as we solicit and secure the necessary resources to fund the College's vision of innovation and service. The College's needs are considerable and Foundation and College leadership, with the assistance of their boards, meet regularly to address and plan priorities, evaluate circumstances, and respond appropriately. The Office's continued record-breaking and award-winning achievements are a testament to this commitment.

2022 was indeed a challenging year for the economy. However, despite volatile market conditions yielding negative investment growth, the Palm Beach State College Foundation endowment has grown from \$34,079,083 as of December 31, 2018, to \$53,283,000 as of December 31, 2022. The Foundation's fiscally prudent investment policy combined with sustained increases in philanthropic giving to the Foundation have resulted in this 56.35% growth in total assets.

Year	Total Foundation Assets
2018	\$34,079,083
2019	\$38,843,837
2020	\$44,188,688
2021	\$54,122,497
2022	\$49,713,164
2023 YTD	\$53,283,080

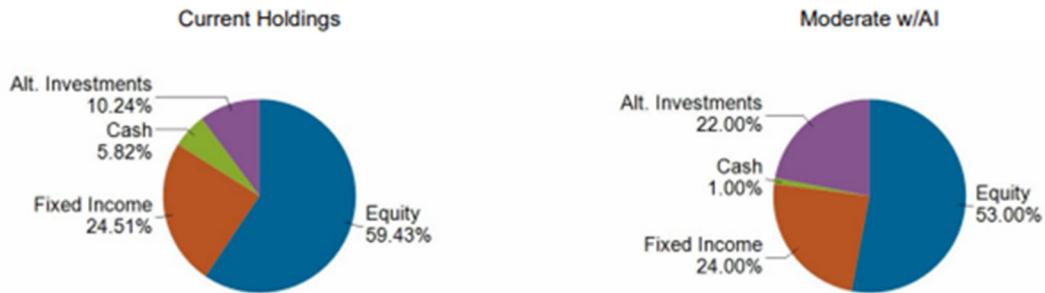
Outlook 2023 (continued)

# Portfolio Overview

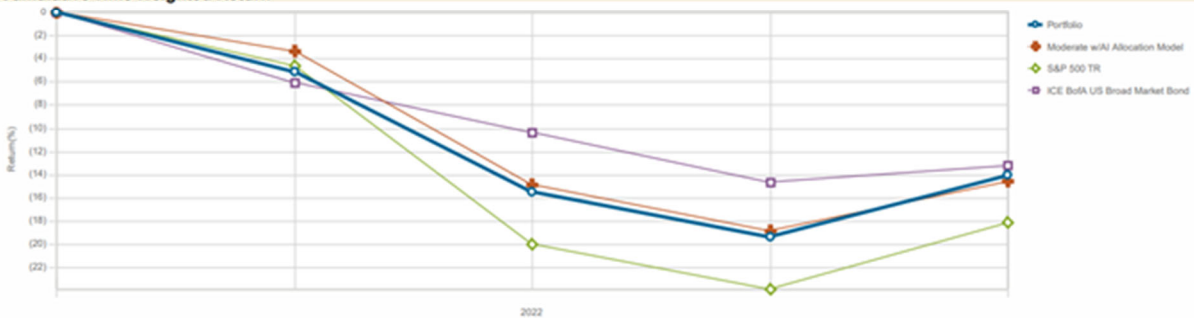
Performance period: 01/01/2022 to 12/31/2022

## Asset Allocation

As of Close of Business: 05/03/2023



## Cumulative Time Weighted Return



Most recent data from Giving USA appears in the infographic below. Total giving in 2021 remained flat, adjusted for inflation with .7% growth. The education sector received 14% of all giving, second only to religion. However, giving to education declined 2.8% from 2020, the only sector that was down from the prior year.

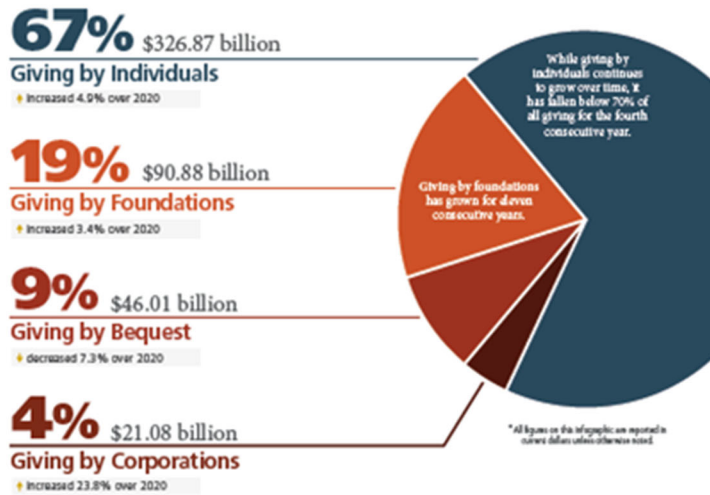
## Outlook 2023 (continued)



### Where did the generosity come from?

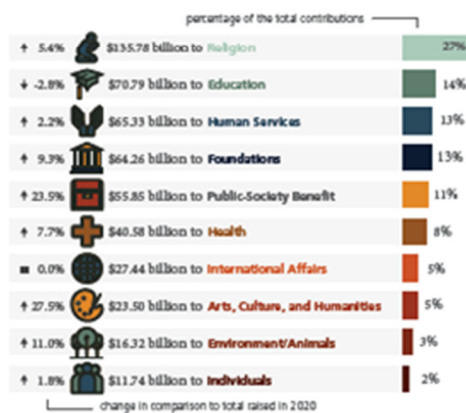
#### Contributions by source

By percentage of the total



### Where did the charitable dollars go?

#### Contributions by destination



Donor-advised funds are among the fastest growing forms of giving. Learn more in the new chapter on Donor-Advised Funds.

Giving to public-society benefit organizations increased 23.5% in 2021, and is steadily growing larger as a share of total giving over time.

Several subsectors that struggled in 2020, such as giving to health and arts, culture, and humanities, experienced recoveries in 2021.

Giving USA Foundation™, The Giving Institute, and the Indiana University Lilly Family School of Philanthropy are pleased to continue their partnership in providing the most comprehensive, largest-scope, and most rigorously researched research on U.S. charitable giving. Giving USA: The Annual Report on Philanthropy: It's a privilege to report on American generosity and related historical trends on U.S. charitable giving.

## **Outlook 2023 (continued)**

On September 15, 2021, the Foundation Board of Directors approved a resolution to embark on a \$100M capital campaign that coincides with the College's 90<sup>th</sup> anniversary in 2023. This comprehensive campaign is the first of its kind in the College's history. At the close of 2022, the campaign achieved over 41% of the total goal. The Foundation will continue its emphasis on stewarding and cultivating long-term relationships with those who have the capacity and the inclination to make major, transformational gifts to meet the College's needs for capital improvements, program support, and scholarships.

The Foundation continues to make investments in strategic and regular public interest communications, marketing, and public relations to increase awareness of the College and engagement with the community through. The effectiveness of this outreach in building relationships and sharing the value of the institution to meet the workforce and academic needs of the community is evidenced by the increasing number relationships and contributions.

### **What Will Charitable Giving Look Like in 2023?**

Major giving trends are likely to increase asset giving when equity markets recover, growing trust-based philanthropy, an acceleration in legacy giving and more, according to an article published in January 2023 in Kiplinger written by Stephen Kump.

If you asked most people what would happen in 2022, the vast majority would not have been able to predict the financial roller coaster that was 2022, or that charitable giving would remain strong. From 40-year highs in inflation and increasing prices in Treasury yields, to volatility in the stock market, "uncertainty" could have been the word of the year. If 2022 brought fresh humility, then we should certainly utilize it as we set expectations for 2023.

Despite the volatility of 2022, "Charity Vest" saw its highest volume of Giving Tuesday donations ever, counter to some predictions of softness in the charitable giving market. For people who give purposefully — that is, people for whom charitable giving is a significant financial and personal priority by percentage of income or assets — we believe this year saw increased donations for two reasons.

First, purposeful donors consider giving an expression of deep values and partner, or desire to partner, with charities to make a real difference. In a year when charities have deeper needs from inflationary pressures, what economists call a "substitution effect" occurs. Donations become perceived as more valuable, so larger donations occur.

Second, donors still want to be tax smart. As wages were strong and equity prices were still quite appreciated over the last five-year period, the tax-savings opportunity alongside giving to charity remained significant. No matter what the year's volatility looks like, donors make plans to reduce the year's tax bill.

## Outlook 2023 (continued)

Looking ahead to 2023, what does this imply? Taxes are not going anywhere, inflation will slow its growth but continue to place pressure on nonprofit budgets, and a new bipartisan Congress is less likely to pass any sweeping policy changes. Most important, a real possibility for a recession continues to loom. Taking all of this into account, here are the top predictions for major giving trends in 2023:

### 1. Asset-Giving Will Increase When Equity Markets Recover.

At some point, the equity markets will stabilize and start to increase once uncertainty peaks. If this happens in 2023 - likely it will - equity prices will become increasingly appreciated. Donating assets as opposed to cash has tremendous tax benefits. Awareness of this among consumers and financial advisers is at an all-time high and increasing. As the market bounces back, 2023 may be a record year for asset giving, especially equities.

### 2. Trust-Based Philanthropy Will Reach Mainstream Adoption.

Philanthropist MacKenzie Scott has catalyzed a tremendous amount of awareness and buy-in on “trust-based philanthropy” with her unrestricted donations to thousands of nonprofits now totaling over \$14B. Trust-based giving is about building funder-grantee relationships that are more power-equal and trusting of nonprofit executives to execute with excellence and transparency.

Oversimplifying, it means major donors giving to charities with less strings attached. Beyond the billionaires like Scott, we will start to see foundations, large DAFs, and even midsize everyday donors in 2023 start to give larger, more unrestricted (though potentially fewer) grants to charities than they already do.

### 3. Acceleration in Legacy Giving.

The largest generation in history, the Baby Boomers, are aging, and legacy planning is at the forefront of many families, especially wealthy ones. This will only increase in 2023.

### When RMDs Loom Large, QCDs Offer a Gratifying Tax Break

With an estimated \$30 trillion expected to be passed down from Boomers to Generation X to Millennials over the next 30 years, we expect giving related to estate/legacy planning to accelerate in 2023.

### 4. Collective Giving Will Continue Its Rise.

Disconnection and isolation are the problems of our time, especially post-COVID. Many people are searching for meaningful communities, especially where they can express shared values with others. Giving is an expression of values, and it can bring people together around something collectively “bigger.”

## **Outlook 2023 (continued)**

As technology is making it increasingly frictionless, collective giving is rising. Collective giving can take many forms. From collaborative funds where donors combine their giving power to maximize influence and impact, to giving circles where donors democratize decision-making, collective philanthropy will continue to increase its role in giving.

### **5. Advisers Will Start to Differentiate Their Ability to Offer Services and Advice Around Giving.**

As additional robo-adviser tools arise and Boomers retire, financial advisers are increasingly trying to differentiate their value from alternatives to win over new, young clients.

One area of value-added service is philanthropy. Some advisers are looking to form connections with clients around their life legacy and aiming to help their clients make an impact as a part of their financial goals. It is a way that advisers can differentiate from robo-advisers and straightforward investment managers. Successful advisers will integrate philanthropic planning tools and expertise into their practice. This will continue to influence the landscape for how giving occurs between donors and charities.

As mentioned, no one knows exactly what to expect from the economy or the markets. However, these are all trends we have seen build over the last few years, despite volatility. Should 2023 be one with less choppy waters, we will only see these trends accelerate and a changing philanthropic landscape come into view.

**Palm Beach State College Foundation, Inc.**  
**(A Component Unit of Palm Beach State College)**

**STATEMENTS OF NET POSITION**

December 31,

	2022	2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,884,715	\$ 4,383,224
Contributions receivable	195,710	255,419
Accrued interest receivable	64,610	50,715
Pledges receivable, net	2,319,500	2,991,298
Investments	22,108,153	29,146,890
Total current assets	30,572,688	36,827,546
<b>Noncurrent assets</b>		
Investments	22,961,406	21,228,494
Pledges receivable, net	1,657,315	3,493,726
Total noncurrent assets	24,618,721	24,722,220
<b>Total assets</b>	55,191,409	61,549,766
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	1,475,003	219,283
Annuities payable	64,425	64,425
Total current liabilities	1,539,428	283,708
<b>Noncurrent liabilities</b>		
Annuities payable	422,369	584,879
<b>Total liabilities</b>	1,961,797	868,587
<b>NET POSITION</b>		
Restricted donor specified:		
Permanent endowments	22,961,406	21,228,494
Student assistance and College programs	18,711,467	24,454,309
Unrestricted	11,556,739	14,998,376
<b>Total net position</b>	\$ 53,229,612	\$ 60,681,179

The accompanying notes are an integral part of these financial statements.

**Palm Beach State College Foundation, Inc.**  
**(A Component Unit of Palm Beach State College)**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**For the years ended December 31,**

	2022	2021
<b>Operating Revenues</b>		
Contributions and gifts	\$ 2,382,564	\$ 2,698,238
Grants and matching funds	200,304	172,937
Donated services	901,909	668,978
Special events income	134,820	150,094
Other revenues	98,211	217,545
Total operating revenues	3,717,808	3,907,792
<b>Operating Expenses</b>		
Support of college programs	1,453,660	1,244,443
Scholarships	2,343,487	1,324,417
Management and general	793,111	543,963
Fundraising	757,851	511,506
Total operating expenses	5,348,109	3,624,329
<b>Operating income (loss)</b>	(1,630,301)	283,463
<b>Nonoperating Revenues (Expenses)</b>		
Contributions to endowments	1,699,395	453,062
Net realized and unrealized gains (losses) on investments	(8,665,021)	4,712,573
Interest and dividend income	1,144,360	1,084,655
Total nonoperating revenues (expenses)	(5,821,266)	6,250,290
<b>Change in net position</b>	(7,451,567)	6,533,753
<b>Net position, beginning of year</b>	60,681,179	54,147,426
<b>Net position, end of year</b>	\$ 53,229,612	\$ 60,681,179

The accompanying notes are an integral part of these financial statements.

**Palm Beach State College Foundation, Inc.**  
**(A Component Unit of Palm Beach State College)**

**STATEMENTS OF CASH FLOWS**

**For the years ended December 31,**

	2022	2021
<b>Cash flows from operating activities</b>		
Contributions received	\$ 4,787,972	\$ 3,874,042
Other revenue received	1,134,940	1,036,617
Federal and state grants received	200,304	172,937
Payments to the college for scholarships	(2,343,487)	(1,324,417)
Payments to support college programs	(951,372)	(1,463,890)
Payments to suppliers	(39,679)	(873,133)
Payments for fundraising	(757,851)	(511,506)
Net cash provided by operating activities	2,030,827	910,650
<b>Cash flows from noncapital financing activities</b>		
Restricted contributions received	1,699,395	453,062
<b>Cash flows from investing activities</b>		
Investment income received	1,130,465	1,076,195
Proceeds from sales and maturities of investments	14,867,728	14,880,222
Purchase of investments	(18,226,924)	(18,711,592)
Net cash provided by (used in) investing activities	(2,228,731)	(2,755,175)
<b>Net increase (decrease) in cash and cash equivalents</b>	1,501,491	(1,391,463)
Cash and cash equivalents, beginning of the year	4,383,224	5,774,687
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<b>\$ 5,884,715</b>	<b>\$ 4,383,224</b>
<b>Reconciliation of net operating income (loss) to net cash flows provided by (used in) operating activities</b>		
Operating income (loss)	\$ (1,630,301)	\$ 283,463
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:		
Decrease (Increase) in operating assets		
Contributions receivable	59,709	(71,647)
Pledges receivable, net	2,508,209	1,534,016
Increase (Decrease) in operating liabilities		
Accounts payable	1,255,720	(548,617)
Annuities payable	(162,510)	(286,565)
Net cash provided by operating activities	<b>\$ 2,030,827</b>	<b>\$ 910,650</b>

The accompanying notes are an integral part of these financial statements.

**Palm Beach State College Foundation, Inc.**  
**(A Component Unit of Palm Beach State College)**

**NOTES TO FINANCIAL STATEMENTS**

**For the years ended December 31, 2022 and 2021**

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

- 1. Nature of activities** - Palm Beach State College Foundation, Inc. (the "Foundation") is a not-for-profit organization incorporated on April 27, 1973, under the laws of the State of Florida (the "State"). The purpose of the Foundation is to encourage, solicit, receive, and administer gifts and bequests for the advancement of Palm Beach State College (the "College") and its objectives. The Foundation offices are in Lake Worth, Florida.

The Foundation is a direct support organization pursuant to Florida Statute 1004.70, which mandates the statutory responsibilities and obligations of the Foundation as a direct support organization for the College. The Foundation is a separate Internal Revenue Code (IRC) Section 501(c)(3) tax exempt organization, which under Internal Revenue Service directives functions as an IRC Section 509 entity for tax purposes.

- 2. Basis of presentation** - The Foundation is a direct support organization for, and a component unit of, the College and therefore is reported on the College's Financial Statements. The Foundation's presentation of Financial Results conforms to generally accepted accounting principles applicable to colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB), Codification Section Co5, *Colleges and Universities*, which allows public colleges and universities the option of reporting as a special-purpose government either engaged in only business-type activities, engaged in only governmental activities, or engaged in both governmental and business-type activities. The public colleges of the State, including Palm Beach State College, elected to report as entities engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

- Management's Discussion and Analysis
- Financial Statements:
  - Statements of Net Position
  - Statements of Revenues, Expenses and Changes in Net Position
  - Statements of Cash Flows
  - Notes to Financial Statements

- 3. Basis of accounting** - The Foundation follows the Financial Accounting Standards Board (FASB) Pronouncements for revenue recognition for pledges and contributions; however as a direct support organization of the College, financial information conforms to GASB standards for presentation purposes. The basis of accounting refers to when revenues, expenses and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The Foundation's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**Palm Beach State College Foundation, Inc.**  
**(A Component Unit of Palm Beach State College)**

**NOTES TO FINANCIAL STATEMENTS**

**For the years ended December 31, 2022 and 2021**

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3. Basis of accounting (continued)**

Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange activities are generally recognized when all applicable eligibility requirements are met.

The Foundation's principal operating activities consist of supporting college programs and providing scholarships for students. Operating revenues and expenses generally include all fiscal transactions directly related to these activities plus administration.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund specific programs, it is the Foundation's policy to apply the restricted resources to such programs first, followed by the use of the unrestricted resources. The statement of revenues, expenses, and changes in net position is presented by major sources. The statement of cash flows is presented using the direct and indirect method in accordance with GASB Codification Section 2450, *Cash Flows Statements*.

- 4. Use of estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of related contingent items at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- 5. Cash and cash equivalents** - For purposes of the statements of cash flows, the Foundation considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Foundation maintains its cash in bank deposit accounts and stock brokerage firms which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts due to exceeding the federally insured limits. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.
- 6. Contributions and promises to give** - Contributions of cash, other assets, and unconditional promises to give are recognized when the promise to give is made from the donor. Classification of these contributions as unrestricted or restricted is based upon any donor-imposed stipulations that limit the use of the donated assets. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, restricted component of net position are reclassified to an unrestricted component of net position.

As of the years ended 2022 and 2021 the Foundation had no allowance for pledges receivable based on prior experience with similar types of receivables. The Foundation considers the pledges receivable fully collectable.

**Palm Beach State College Foundation, Inc.  
(A Component Unit of Palm Beach State College)**

**NOTES TO FINANCIAL STATEMENTS**

**For the years ended December 31, 2022 and 2021**

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7. Investments** - Investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties at the measurement date. The domestic entity and the short-term investment fund are valued based on the underlying assets in the funds. Equity securities and high-yield bonds are valued based on the last reported sales price. The remaining fixed-income bonds (those which are not high-yield) are valued either by comparing them to prices of similar investments or by computing the net present value of their cash flows discounted at a rate commensurate with the risk involved. Security transactions and any resulting gains or losses are accounted for by the specific identification method on a trade-date basis. Unrealized gains and losses are included in the change in net position in the accompanying statements of revenues, expenses and changes in net position and are reported as either unrestricted or restricted depending upon the existence of donor imposed restrictions on the income from the investments.

If there is a sufficient return on the investment generated from an endowed gift, that is, an amount greater than the original principal, investment income including unrealized gains may be used to fund the activities that the endowments were originally set up to benefit, in accordance with donor stipulations.

The Foundation's investments at December 31, are reported at fair value, as follows:

Fair Value Using Quoted Prices in Active Markets for Identical Assets (Level 1)	2022	2021
Debt Securities		
U.S. guaranteed obligations	\$ 5,365,617	\$ 5,803,662
Domestic bonds and notes	3,556,305	3,193,077
Total Debt Securities	<u>8,921,922</u>	<u>8,996,739</u>
Equity Securities		
Domestic stocks	17,291,361	19,003,766
International stocks	6,184,156	7,013,477
Total Equity Securities	<u>23,475,517</u>	<u>26,017,243</u>
Investments not measured at Net Assets Value (NAV)		
Mutual funds	10,940,300	13,787,926
Real estate investments	1,731,819	1,573,476
Money market funds	4,677,483	3,737,194
Total Investments not measured at NAV	<u>17,349,602</u>	<u>19,098,596</u>
Total Investments measured at Fair Market Value	<u>\$ 49,747,041</u>	<u>\$ 54,112,578</u>

**Palm Beach State College Foundation, Inc.  
(A Component Unit of Palm Beach State College)**

**NOTES TO FINANCIAL STATEMENTS**

**For the years ended December 31, 2022 and 2021**

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**8. Capital assets** - Capital assets are generally considered assets of the College even though they are utilized by the Foundation, unless donated and restricted in nature. Capital assets are recorded at cost if purchased and at their estimated fair value if donated. Capital asset donations are reported as unrestricted support unless the donor has restricted the use of the asset for a specific purpose. Contributions of cash, other assets, and unconditional promises to give that are restricted for the purpose of acquiring capital assets are reported as restricted support. When there are no explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the acquired long-lived assets are placed in service. These expirations of donor restrictions are reported as reclassifications to investment in capital assets, net of accumulated depreciation. The Foundation's policy is to capitalize assets with a value of \$5,000 or more. All other expenditures below this threshold are expensed as incurred. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. There was no capital asset activity for 2022 and 2021.

**9. Net position** - In accordance with GASB Codification Section 1800.155, total net position is classified into three categories:

*Net investment in capital assets* - This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any related debt and deferred inflows of resources that are attributable to the acquisition, construction, and improvement of those assets.

*Restricted component of net position* - This category consists of assets and reduced by liabilities and deferred inflows of resources related to those assets which are restricted in use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Foundation considers restricted donations from donors as part of this category, see Note E for further detail.

*Unrestricted component of net position* - This category includes all of the remaining assets and reduced by liabilities that do not meet the definition of the other two categories.

**10. Personnel costs** - All employees of the Foundation are considered employees of the College. These personnel costs are reported as an in-kind contribution or donated services since the Foundation is not required to reimburse the College for these costs. Compensated absences and other related payroll costs will ultimately be paid by the College. For the years ended December 31, 2022 and 2021, personnel costs were \$901,909 and \$668,978, respectively.

**Palm Beach State College Foundation, Inc.**  
**(A Component Unit of Palm Beach State College)**

**NOTES TO FINANCIAL STATEMENTS**

**For the years ended December 31, 2022 and 2021**

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

- 11. Expense allocation** - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses and changes in net position; accordingly, certain costs have been allocated among the programs and supporting services benefited.
- 12. Advertising costs** - Advertising costs are charged to operations when incurred. Advertising expense for the years ended December 31, 2022 and 2021 was \$188,910 and \$40,463, respectively.
- 13. Income tax status** - The Foundation accounts for income taxes in accordance with Financial Accounting Standards Board Accounting Standards Codification 740 (FASB ASC 740), *Income Taxes*. FASB ASC 740 requires a two-step approach to evaluate tax positions and determine if they should be recognized in the financial statements. The two-step approach involves recognizing any tax positions that are “more likely than not” to occur and then measuring those positions to determine if they are recognizable in the financial statements. Management regularly reviews and analyzes all tax positions and has determined that no uncertain tax positions requiring recognition have occurred. The Foundation is no longer subject to U.S. federal income tax examinations for years before 2019.

The Foundation is currently exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and has been classified by the Internal Revenue Service as an organization that is not a private foundation.

**NOTE B - PLEDGES**

Unconditional promises to give over periods greater than one year are reflected at the present value of estimated future cash flows. Management’s estimate of the discount on pledges receivable is based on the IRS - Federal Rate for determining the present value of an annuity, which was 4.84% and 1.16% at December 31, 2022 and 2021, respectively.

**Palm Beach State College Foundation, Inc.**  
**(A Component Unit of Palm Beach State College)**

**NOTES TO FINANCIAL STATEMENTS**

**For the years ended December 31, 2022 and 2021**

**NOTE B - PLEDGES (continued)**

Unconditional pledges to give are expected to be realized in the following periods as of December 31,

	<b>2022</b>	<b>2021</b>
Unconditional promises receivable (pledges) before unamortized discount	\$ 4,125,200	\$ 6,627,200
Less unamortized discount	(148,385)	(142,176)
	<b>\$ 3,976,815</b>	<b>\$ 6,485,024</b>
Pledges are due to be collected as follows:		
Less than or equal to one year	\$ 2,319,500	\$ 2,991,298
More than one year	1,657,315	3,493,726
	<b>\$ 3,976,815</b>	<b>\$ 6,485,024</b>

**NOTE C - DEPOSITS AND INVESTMENTS**

The deposits and investments consisted of the following at December 31,

	<b>Credit Quality</b>	<b>Average Maturity</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	Not rated	N/A	\$ 5,884,715	\$ 4,383,224
Corporate bonds	AAA/BBB	1-10 years	3,556,305	3,193,077
U.S. Government notes	N/A	5-15 years	5,365,618	5,803,663
Mutual funds	N/A	N/A	10,940,300	13,787,927
Equity securities	N/A	N/A	23,475,517	26,017,244
Alternative investments	N/A	N/A	1,731,819	1,573,473
			<b>\$ 50,954,274</b>	<b>\$ 54,758,608</b>

As presented on the Statement of Net Position:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 5,884,715	\$ 4,383,224
Current investments	22,108,153	29,146,890
Noncurrent investments	22,961,406	21,228,494
	<b>\$ 50,954,274</b>	<b>\$ 54,758,608</b>

**Palm Beach State College Foundation, Inc.**  
**(A Component Unit of Palm Beach State College)**

**NOTES TO FINANCIAL STATEMENTS**

**For the years ended December 31, 2022 and 2021**

**NOTE C - DEPOSITS AND INVESTMENTS (continued)**

The Foundation's investments are mainly held in various accounts in custody at Merrill Lynch Trust Company ("MLTC"), a division of Bank of America, N.A., a national bank under the supervision of the United States Treasury Department's Office of the Comptroller of Currency. A sum of \$25,000 has been invested separately in the Community Foundation for Palm Beach and Martin Counties, as a beneficial interest in assets held by a community foundation in a permanently restricted endowment.

**Custodial credit risk** - Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation's deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Additionally as a Direct Support Organizational unit of Palm Beach State College the Foundation's funds are also protected as Public Funds under Chapter 280 Florida Statutes. As of December 31, 2022, all cash accounts are either covered by FDIC or insured.

**Interest rate risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's policy for managing its exposure for changes in interest rates is through maintaining diversification of its investments and investment maturity dates to minimize the impact of downturns in the market. As of December 31, 2022, the Foundation has investments in corporate bonds and is therefore subject to interest rate risk.

**Credit risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Foundation's policy for managing its exposure to credit risk is through maintaining its investments in securities rated "BBB" or higher. As of December 31, 2022, the credit quality of the Foundation's fixed income accounts was investment grade B or higher.

**Concentration of credit risk** - The Foundation diversifies its investments by security type. As of December 31, 2022, no single security represented more than 5% of the total portfolio value invested in any individual account managed by MLTC.

**NOTE D - ANNUITY PAYABLE**

The Foundation is party to four charitable gift annuity agreements as of December 31, 2022. Under the gift annuity agreements, the donors contribute assets to the Foundation in exchange for its commitment to make distributions to the donor or other beneficiaries for a specified period of time or until the death of the beneficiary. Assets received are recorded at fair value on the date the agreement is executed, and a liability equal to the present value of the future distributions is also recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue in the period the gift is made. On an annual basis, the Foundation evaluates the liability and makes distributions to the designated beneficiaries based on the fixed amount in the annuity agreements. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. Discount rates on these obligations range from 4.84% to 1.16%.

**Palm Beach State College Foundation, Inc.  
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**NOTES TO FINANCIAL STATEMENTS**

**For the years ended December 31, 2022 and 2021**

**NOTE D - ANNUITY PAYABLE (continued)**

The Foundation has created a separate investment fund to give effect to the above agreements, which in 2011 transferred \$100,000 for 3 annuities from its own funds to be invested together with the donor's contribution, as required. As of December 31, 2022 and 2021, the investment balance was \$1,010,456 and \$1,450,477, respectively, which is presented with the other Foundation investments based on the applicable investment type. As of December 31, 2022 and 2021, the annuity payable is \$486,794 and \$649,304, respectively.

**NOTE E - ENDOWMENTS**

The Foundation's endowment consists of approximately 140 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and unrestricted funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, components of net position associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation follows Florida Statute 617.2104, which provides the policy for administration related to the investment of endowments funds and the ability to spend the net appreciation.

The Foundation's investment policy outlines a spending rate of 4% for both 2022 and 2021. The Foundation's general spending was calculated within the policy guidelines.

The total endowment balances of the Foundation consisted of the following at December 31,

	<u>2022</u>	<u>2021</u>
Total endowment balance	\$ 32,130,390	\$ 36,809,506
Less amounts restricted for student assistance and college programs	<u>9,168,984</u>	<u>15,581,012</u>
Restricted for permanent endowments	<u>\$ 22,961,406</u>	<u>\$ 21,228,494</u>

All assets of the Foundation are considered restricted for college support. For 2022, the amount restricted for student assistance and college programs totals \$18,711,467 which is made up of temporarily restricted endowments of \$9,168,984 and temporarily restricted amounts related to non-endowment contributions of \$9,542,483. For 2021, the amount restricted for student assistance and college programs totals \$24,454,309 which is made up of temporarily restricted endowments of \$15,581,012 and temporarily restricted amounts related to non-endowment contributions of \$8,873,297.

**Palm Beach State College Foundation, Inc.  
(A Component Unit of Palm Beach State College)**

**NOTES TO FINANCIAL STATEMENTS**

**For the years ended December 31, 2022 and 2021**

**NOTE F - STATE GRANTS**

The Foundation receives matching dollars from the state under the provisions of the First Generation in College Matching Grant. For the years ended December 31, 2022 and 2021, the Foundation's First Generation in College Matching Grant funds is \$164,499 and \$172,937 respectively.

**NOTE G - RISK MANAGEMENT**

The Foundation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and errors and omissions. The Foundation is insured through the College which provided coverage for these risks primarily through the Florida Community Colleges Risk Management Consortium. There have been no significant reductions in insurance coverage during 2022. Settled claims resulting from the risks described above have not exceeded the insurance coverage for each of the prior three years.

**NOTE H - COMMITMENTS AND CONTINGENCIES**

The Foundation is not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed.

**NOTE I - SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through May 17, 2023, the date which the financial statements became available for issue and has determined that no material events occurred that would require disclosure.



**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  
Palm Beach State College Foundation, 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 the business-type activities of Palm Beach State College Foundation, Inc. (the "Foundation"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's financial statements, and have issued our report thereon dated May 17, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation'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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation'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 the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May 17, 2023  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*