

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

FINANCIAL STATEMENTS

**December 31, 2023 and
2022**



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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, 2023 and 2022, 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, 2023 and 2022, 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 14, 2024, 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 14, 2024
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, 2023 and 2022

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, 2023 and 2022. The presentation of 2021 financial information is included for financial analysis and comparison to the 2022 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)

	2023	2022	2021
Current assets	\$ 29,367	\$ 30,573	\$ 36,828
Noncurrent assets	23,245	24,619	24,722
Total assets	52,612	55,192	61,550
Current liabilities	485	1,540	284
Noncurrent liabilities	418	422	585
Total liabilities	903	1,962	869
Restricted			
Permanent endowments	22,628	22,961	21,229
Student assistance and College programs	23,398	18,712	24,454
Unrestricted	5,683	11,557	14,998
Total net position	51,709	53,230	60,681
Total liabilities and net position	\$ 52,612	\$ 55,192	\$ 61,550

Foundation Assets

The total assets of the Foundation as of December 31, 2023, were \$52.6 million. This reflected a decrease of \$2.6 million from the previous year of \$55.2 million due to more support given to the college construction projects, partially compensated by realized and unrealized gains in investments; and in 2022, a decrease of \$6.4 million from the previous year of \$61.6 million due to market losses impacting investments.

Liabilities

As of December 31, 2023, the liabilities amounted to \$0.9 million, which includes \$0.5 million for 4 annuity contracts. The corresponding annuity liabilities for 4 annuity contracts as of December 31, 2022 and 2021 were \$0.5 million and \$0.6 million, respectively. Accounts payable and accrued expenses was \$0.4 million in 2023 and \$1.5 million in 2022. This decrease was mainly due to decreased accrued scholarships at year end. Accounts payable and accrued expenses in 2021 was \$0.2 million mainly due to accrued scholarships at year end.

Net Position

The Foundation's components of the net position for the fiscal years ended December 31, 2023, 2022 and 2021 are shown in the following table (in thousands):

	2023	2022	2021
Permanently restricted	\$ 22,628	\$ 22,961	\$ 21,229
Temporarily restricted	23,398	18,712	24,454
Unrestricted	5,683	11,557	14,998
Total net position	<u>\$ 51,709</u>	<u>\$ 53,230</u>	<u>\$ 60,681</u>

The primary reason for the decrease of \$1.5 million in total net position from 2023 to 2022 is due to the increase in college support partially offset by investments revenues. 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)

	2023	2022	2021
Operating revenues (expenses)			
Total operating revenue	\$ 6,088	\$ 3,718	\$ 3,908
Total operating expenses	(14,635)	(5,348)	(3,624)
Income (loss) from operations	<u>(8,547)</u>	<u>(1,630)</u>	<u>284</u>
Nonoperating revenues			
Contributions to endowments	146	1,699	453
Net realized and unrealized gains on investments	5,567	(8,665)	4,712
Interest and dividend income	1,313	1,145	1,085
Total nonoperating revenues	<u>7,026</u>	<u>(5,821)</u>	<u>6,250</u>
Change in net position	(1,521)	(7,451)	6,534
Net position, beginning of the year	<u>53,230</u>	<u>60,681</u>	<u>54,147</u>
Net position, end of the year	<u>\$ 51,709</u>	<u>\$ 53,230</u>	<u>\$ 60,681</u>

Revenues

The following table compares the revenues earned by the Foundation in 2023, 2022 and 2021, by category.

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

	2023	2022	2021
Contributions & gifts	\$ 4,739	\$ 4,082	\$ 3,151
Donated services	1,108	902	669
Grants and matching funds	249	200	173
Fundraising	138	233	368
Investment Income (loss)	6,881	(7,520)	5,797
Total revenue	<u>\$ 13,115</u>	<u>\$ (2,103)</u>	<u>\$ 10,158</u>

The total revenue for 2023 represents a significant increase of \$15.2 million from the 2022 revenue. The primary reason for this difference was the increase in realized and unrealized gains on investments of \$14.4 million in 2023. The total revenue for 2022 represents a significant decrease of \$12.3 million from the 2021. The primary reason for this difference was the increase in realized and unrealized losses on investments of \$8.7 million, shown on the Statements of Revenues, Expenses and Changes in Net Position on page 16, which had gains of \$4.7 million in 2021. The Foundation received state allocations under the First Generation in College Matching Grant for the years ended December 31, 2023, 2022, and 2021 in the amount of \$188,420, \$164,499, and \$172,937, respectively. These state allocations are included as part of the grants and matching funds totals for 2023, 2022, and 2021 above. The remaining balance in the grants and matching funds section is grants and contracts revenue from the federal government.

Expenses

Total expenses for 2023 and 2022 increased primarily due to more Support of College Programs, which includes the \$7 million increase for the construction projects developed by the College. Fundraising has increased approximately \$200,000 every year, and from 2022 to 2023, it increased primarily from two new hires during the year, a Gift Specialist and a Scholarships Coordinator. The increase in Fundraising expenses from 2021 to 2022 is due to an increase in college effort to increase the student recruitment and retention.

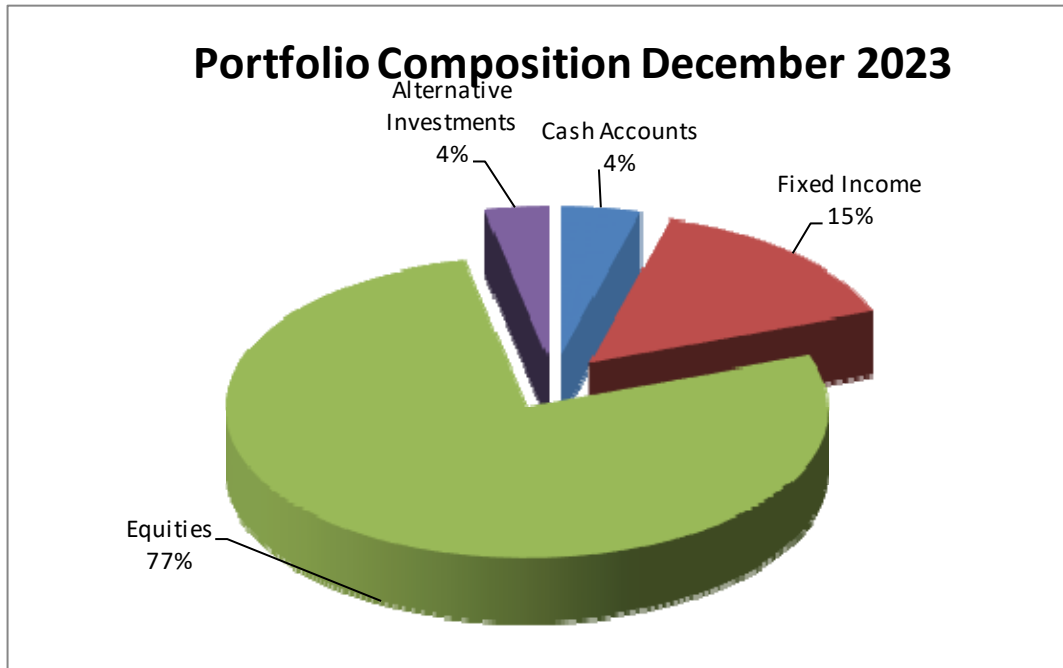
Expenses for the Years Ended December 31, (in thousands)

	2023	2022	2021
Support of College Programs	\$ 10,649	\$ 1,454	\$ 1,244
Scholarships	2,060	2,343	1,324
Fundraising	948	758	512
Management & general	979	793	544
Total	<u>\$ 14,636</u>	<u>\$ 5,348</u>	<u>\$ 3,624</u>

Investments Performance

The return on investments for the year ending December 31, 2023 was 13%, whereas it was 16% for the year ending December 31, 2022.

The total value of the portfolio including cash as of December 31, 2023 was \$48.6 million (\$49.7 million as of December 31, 2022). The graphic below presents the composition of the portfolio as of December 31, 2023.



Outlook 2023-24

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 2023-24 (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.

Despite continued volatile market conditions, the Palm Beach State College Foundation endowment has grown from \$34,079,083 as of December 31, 2018, to just under \$48,309,574 as of December 31, 2023. The Foundation's prudent investment policy combined with sustained increases in philanthropic giving to the Foundation have resulted in this 71% 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	\$48,309,574

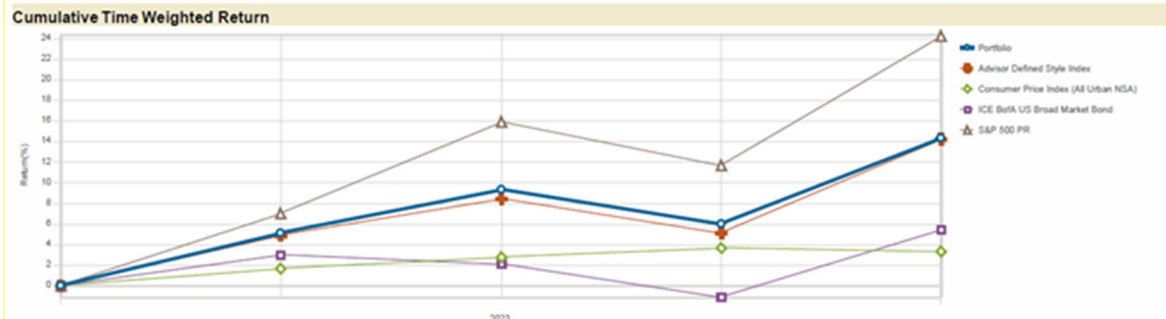
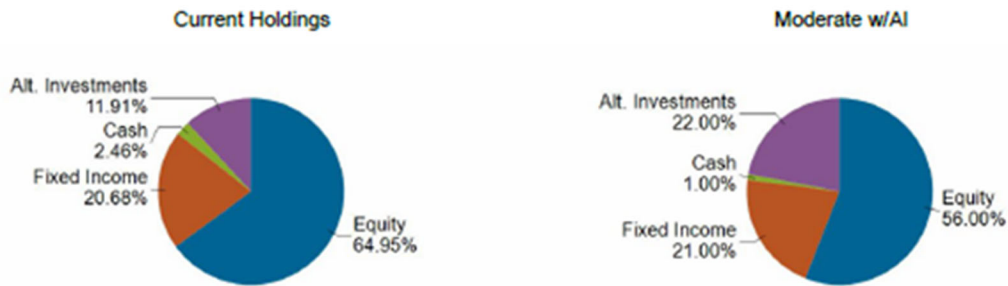
Outlook 2023-24 (continued)

Portfolio Overview

Performance period: 01/01/2023 to 12/31/2023

Asset Allocation

As of Close of Business: 05/07/2024



Most recent data from Giving USA appears in the infographic below. Total giving in 2022 declined 10.5%. The education sector received 13% of all giving, down 3.6% from 2021. Human services came in second at 14% and religion topping the list at 27%. However, giving to education declined 3.6% from 2021.

On September 15, 2021, the Foundation Board of Directors approved a resolution to embark on a \$100 million capital campaign that coincides with the College’s 90th anniversary in 2023. This comprehensive campaign is the first of its kind in the College’s history. At the close of 2023, the campaign achieved over 50% 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.

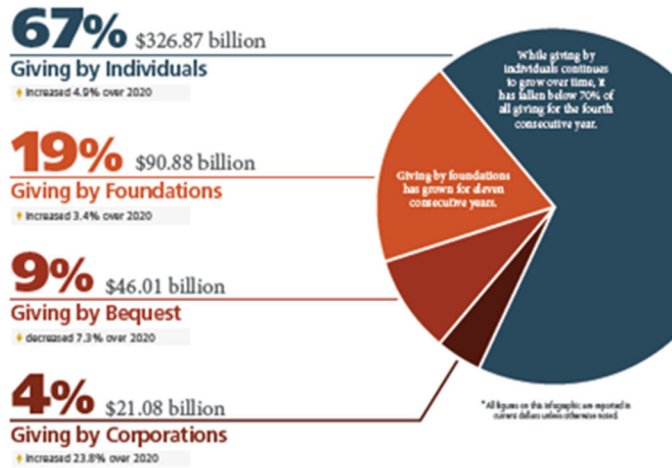
Outlook 2023-24 (continued)



Where did the generosity come from?

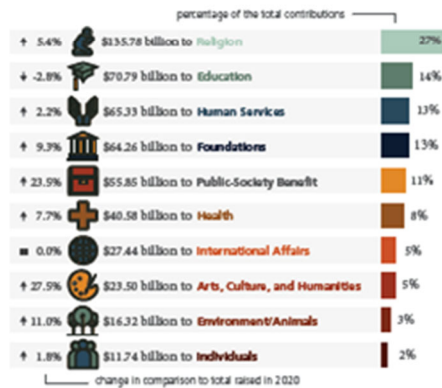
Contributions by source

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 sectors 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 Johns University By Family Foundation are pleased to continue their partnership in providing the most comprehensive, largest-reaching, and most rigorously researched resource on U.S. charitable giving: Giving USA: The Annual Report on Philanthropy. It is a privilege to report on American generosity and related historical trends on U.S. charitable giving.

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

STATEMENTS OF NET POSITION

December 31,

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,114,860	\$ 5,884,715
Contributions receivable	392,465	195,710
Accrued interest receivable	56,182	64,610
Pledges receivable, net	2,961,399	2,319,500
Investments	23,842,143	22,108,153
Total current assets	29,367,049	30,572,688
NONCURRENT ASSETS		
Investments	22,628,141	22,961,406
Pledges receivable, net	617,161	1,657,315
Total noncurrent assets	23,245,302	24,618,721
TOTAL ASSETS	52,612,351	55,191,409
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	420,447	1,475,003
Annuities payable	64,425	64,425
Total current liabilities	484,872	1,539,428
Noncurrent liabilities		
Annuities payable	418,448	422,369
TOTAL LIABILITIES	903,320	1,961,797
NET POSITION		
Restricted donor specified:		
Permanent endowments	22,628,141	22,961,406
Student assistance and College programs	23,397,767	18,711,467
Unrestricted	5,683,123	11,556,739
TOTAL NET POSITION	\$ 51,709,031	\$ 53,229,612

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,

	2023	2022
OPERATING REVENUES		
Contributions and gifts	\$ 4,653,917	\$ 2,382,564
Grants and matching funds	249,318	200,304
Donated services	1,107,586	901,909
Special events income	130,745	134,820
Other revenues	(53,150)	98,211
Total operating revenues	6,088,416	3,717,808
OPERATING EXPENSES		
Support of college programs	10,649,061	1,453,660
Scholarships	2,060,095	2,343,487
Management and general	978,881	793,111
Fundraising	947,652	757,851
Total operating expenses	14,635,689	5,348,109
Operating loss	(8,547,273)	(1,630,301)
NONOPERATING REVENUES (EXPENSES)		
Contributions to endowments	145,837	1,699,395
Net realized and unrealized gains (losses) on investments	5,567,070	(8,665,021)
Interest and dividend income	1,313,785	1,144,360
Total nonoperating revenues (expenses)	7,026,692	(5,821,266)
CHANGE IN NET POSITION	(1,520,581)	(7,451,567)
Net position, beginning of the year	53,229,612	60,681,179
NET POSITION, END OF THE YEAR	\$ 51,709,031	\$ 53,229,612

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,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 5,006,300	\$ 4,787,972
Other revenue received	1,030,377	1,134,940
Federal and state grants received	249,318	200,304
Payments to the college for scholarships	(2,060,095)	(2,343,487)
Payments to support college programs	(11,041,578)	(951,372)
Payments to suppliers	(1,602,132)	(39,679)
Payments for fundraising	(986,440)	(757,851)
Net cash provided by (used in) operating activities	(9,404,250)	2,030,827
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Restricted contributions received	145,837	1,699,395
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	1,322,213	1,130,465
Proceeds from sales and maturities of investments	25,116,131	14,867,728
Purchase of investments	(20,949,786)	(18,226,924)
Net cash provided by (used in) investing activities	5,488,558	(2,228,731)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,769,855)	1,501,491
Cash and cash equivalents, beginning of the year	5,884,715	4,383,224
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 2,114,860	\$ 5,884,715
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	\$ (8,547,273)	\$ (1,630,301)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:		
Decrease (increase) in operating assets		
Contributions receivable	(196,755)	59,709
Pledges receivable, net	398,255	2,508,209
Increase (decrease) in operating liabilities		
Accounts payable	(1,054,556)	1,255,720
Annuities payable	(3,921)	(162,510)
Net cash provided by (used in) operating activities	\$ (9,404,250)	\$ 2,030,827

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, 2023 and 2022

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 West Palm Beach, 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, 2023 and 2022

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 2023 and 2022 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, 2023 and 2022

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

7. Investments and deposits – Investments and deposits 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 and deposits at December 31, are reported at fair value, as follows:

Fair value using quoted prices in active markets for identical assets (Level 1)	2023	2022
Debt securities		
U.S. guaranteed obligations	\$ 4,172,919	\$ 5,365,618
Domestic bonds and notes	3,130,983	3,556,305
Total debt securities	<u>7,303,902</u>	<u>8,921,923</u>
Equity securities		
Domestic stocks	16,945,133	17,291,361
International stocks	5,483,314	6,184,156
Total equity securities	<u>22,428,447</u>	<u>23,475,517</u>
Mutual funds	15,108,453	10,940,300
Real estate investments	1,629,482	1,731,819
Cash and cash equivalents	<u>2,114,860</u>	<u>5,884,715</u>
Total Investments and Deposits measured at Fair Market Value	<u>\$ 48,585,144</u>	<u>\$ 50,954,274</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, 2023 and 2022

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 2023 and 2022.

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. Donated services - All employees of the Foundation are considered employees of the College. 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, 2023 and 2022, donated services were \$1,107,586 and \$901,909, respectively.

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

For the years ended December 31, 2023 and 2022

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, 2023 and 2022 was \$261,713 and \$188,910, 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 2020.

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 5.01% and 4.84% at December 31, 2023 and 2022, respectively.

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

For the years ended December 31, 2023 and 2022

NOTE B - PLEDGES (continued)

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

	2023	2022
Unconditional promises receivable (pledges)		
before unamortized discount	\$ 3,881,750	\$ 4,125,200
Less unamortized discount	(303,190)	(148,385)
Total	\$ 3,578,560	\$ 3,976,815
Pledges are due to be collected as follows:		
Less than or equal to one year	\$ 2,961,399	\$ 2,319,500
More than one year	617,161	1,657,315
Total	\$ 3,578,560	\$ 3,976,815

NOTE C - DEPOSITS AND INVESTMENTS

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

	Credit quality	Average maturity	2023	2022
Cash and cash equivalents	Not rated	N/A	\$ 2,114,860	\$ 5,884,715
Corporate bonds	AAA/BBB	1-10 years	3,130,983	3,556,305
U.S. Government notes	N/A	5-15 years	4,172,920	5,365,618
Mutual funds	N/A	N/A	15,108,453	10,940,300
Equity securities	N/A	N/A	22,428,446	23,475,517
Real estate investments	N/A	N/A	1,629,482	1,731,819
			\$ 48,585,144	\$ 50,954,274

As presented on the Statement of Net Position:

	2023	2022
Cash and cash equivalents	\$ 2,114,860	\$ 5,884,715
Current investments	23,842,143	22,108,153
Noncurrent investments	22,628,141	22,961,406
	\$ 48,585,144	\$ 50,954,274

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

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

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, 2023, 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, 2023, 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, 2023, 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, 2023, 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, 2023. 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 5.01% to 4.84%.

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

For the years ended December 31, 2023 and 2022

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 the annuities from its own funds to be invested together with the donor's contribution, as required. As of December 31, 2023 and 2022, the investment balance for the total of the 4 annuities was \$1,059,066 and \$1,010,456, respectively, which is presented with the other Foundation investments based on the applicable investment type. As of December 31, 2023 and 2022, the annuity payable is \$482,873 and \$486,794, 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 2023 and 2022. 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,

	2023	2022
Total endowment balance	\$ 35,300,274	\$ 32,320,543
Less amounts restricted for student assistance and college programs	12,672,133	9,359,137
Restricted for permanent endowments	\$ 22,628,141	\$ 22,961,406

All assets of the Foundation are considered restricted for college support. For 2023, the amount restricted for student assistance and college programs totals \$23,397,767 which is made up of temporarily restricted endowments of \$12,672,133 and temporarily restricted amounts related to non-endowment contributions of \$10,725,634. 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.

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

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

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, 2023 and 2022, the Foundation's First Generation in College Matching Grant funds is \$188,420 and \$164,499, 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 2023. 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 14, 2024, 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, 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated May 14, 2024.

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 14, 2024
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP