

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

FINANCIAL STATEMENTS

**December 31, 2024 and
2023**



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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, 2024 and 2023, 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, 2024 and 2023, 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 13, 2025, 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 13, 2025
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, 2024 and 2023

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, 2024 and 2023. The presentation of 2022 financial information is included for financial analysis and comparison to the 2023 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)

	2024	2023	2022
Current assets	\$ 31,747	\$ 29,367	\$ 30,573
Noncurrent assets	30,282	23,245	24,619
Total assets	62,029	52,612	55,192
Current liabilities	507	485	1,540
Noncurrent liabilities	354	418	422
Total liabilities	861	903	1,962
Restricted			
Permanent endowments	22,951	22,628	22,961
Student assistance and college programs	32,396	23,398	18,712
Unrestricted	5,821	5,683	11,557
Total net position	61,168	51,709	53,230
Total liabilities and net position	\$ 62,029	\$ 52,612	\$ 55,192

Foundation Assets

The total assets of the Foundation as of December 31, 2024, were \$62 million. This reflected an increase of \$9.4 million from the previous year of \$52.6 million due to an increase in pledges received by the Foundation, along with improved investment market activity resulting in realized and unrealized gains; and in 2023, a decrease of \$2.6 million from the previous year of \$55.2 million due to market losses impacting investments.

Liabilities

As of December 31, 2024, the liabilities amounted to \$861 thousand, which includes \$412 thousand for 4 annuity contracts. The annuity liabilities for the same 4 contracts as of 2023 were \$483 thousand. Accounts payable and accrued expenses, including related party accounts payable, was \$450 thousand in 2024 and \$420 thousand in 2023. This increase was mainly due to an increase in accrued scholarships at year end.

Net Position

The Foundation's components of the net position for the fiscal years ended December 31, 2024, 2023 and 2022 are shown in the following table (in thousands):

	2024	2023	2022
Permanently restricted	\$ 22,951	\$ 22,628	\$ 22,961
Temporarily restricted	32,396	23,398	18,712
Unrestricted	5,820	5,683	11,557
Total net position	<u>\$ 61,167</u>	<u>\$ 51,709</u>	<u>\$ 53,230</u>

The primary reason for the increase of \$9.4 million in total net position from 2023 to 2024 is due to the decrease in college support and the increased investments unrealized gains. The primary reason for the decrease of \$1.5 million in total net position from 2022 to 2023 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)

	2024	2023	2022
Operating revenues (expenses)			
Total operating revenue	\$ 12,031	\$ 6,088	\$ 3,718
Total operating expenses	(8,719)	(14,636)	(5,348)
Income (loss) from operations	<u>3,312</u>	<u>(8,548)</u>	<u>(1,630)</u>
Nonoperating revenues (expenses)			
Contributions to endowments	214	146	1,699
Net realized and unrealized gains on investments	4,725	5,567	(8,665)
Interest and dividend income	1,208	1,314	1,145
Total nonoperating revenues (expenses)	<u>6,147</u>	<u>7,027</u>	<u>(5,821)</u>
Change in net position	9,459	(1,521)	(7,451)
Net position, beginning of the year	<u>51,709</u>	<u>53,230</u>	<u>60,681</u>
Net position, end of the year	<u>\$ 61,168</u>	<u>\$ 51,709</u>	<u>\$ 53,230</u>

Revenues

The following table compares the revenues earned by the Foundation in 2024, 2023 and 2022, by category.

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

	2024	2023	2022
Contributions, gifts, and other revenues	\$ 10,474	\$ 4,746	\$ 4,082
Donated services	1,473	1,108	902
Grants and matching funds	194	249	200
Special events income	105	131	233
Investment Income (loss)	5,932	6,881	(7,520)
Total revenue	<u>\$ 18,178</u>	<u>\$ 13,115</u>	<u>\$ (2,103)</u>

The total revenue for 2024 represents a significant increase of \$5 million from the 2023 revenue. The primary reason for this was the increase in contributions of \$5.7 million, offset by a decrease in investment income in 2024. The total revenue for 2023 represents a significant increase of \$15.2 million from 2022 due to an increase in realized and unrealized gains on investments of \$14.4 million in 2023. The Foundation received state allocations under the First Generation in College Matching Grant for the years ended December 31, 2024, 2023, and 2022 in the amount of \$194,146, \$188,420, and \$164,499, respectively. These state allocations are included as part of the grants and matching funds totals for 2024, 2023, and 2022 above. The remaining balance in the grants and matching funds section is grants and contracts revenue from the federal government.

Expenses

Total expenses for 2024 decreased primarily due to less support of college programs than in prior year, which included the \$7 million for the construction projects developed by the College in 2023. Fundraising has approximately stayed the same from 2023 to 2024, and it increased from 2022 to 2023 primarily from two new hires during the year, a Gift Specialist and a Scholarships Coordinator. Scholarship expenses have decreased for the past 3 years due to fewer scholarships awarded with the Foundation funds each year.

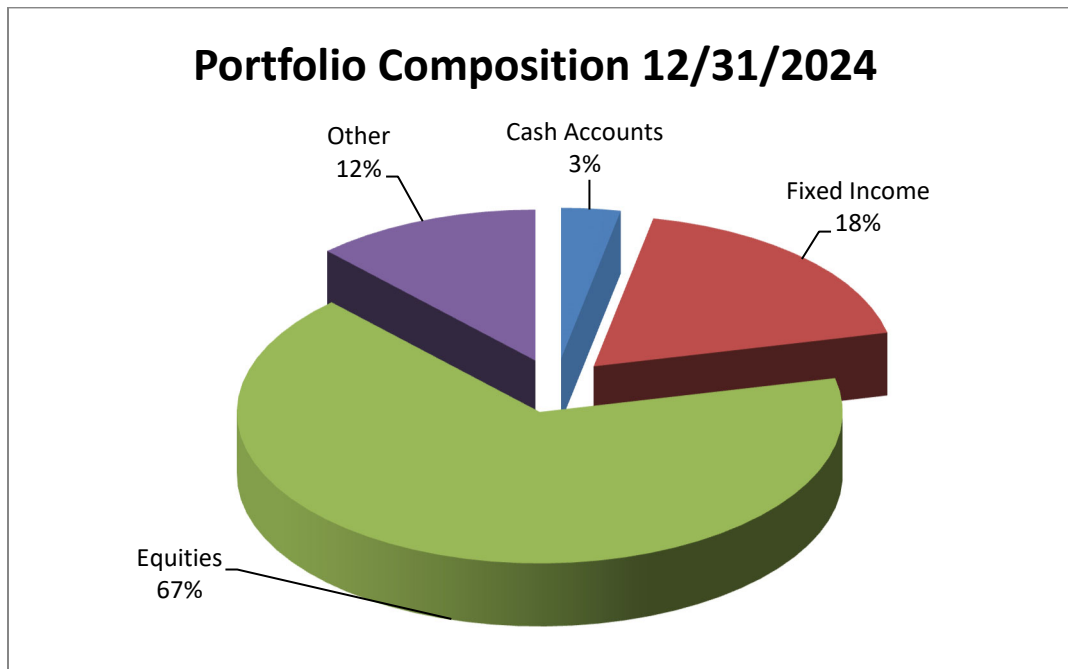
Expenses for the Years Ended December 31, (in thousands)

	2024	2023	2022
Support of College Programs	\$ 5,242	\$ 10,649	\$ 1,454
Scholarships	1,621	2,060	2,343
Fundraising	939	948	758
Management & general	917	979	793
Total	<u>\$ 8,719</u>	<u>\$ 14,636</u>	<u>\$ 5,348</u>

Investments Performance

The return on investments on investments with Merrill Lynch for the year ending December 31, 2024 was 12%, whereas it was 13% for the year ending December 31, 2023 and 16% on December 31, 2022.

The total value of this portfolio including cash as of December 31, 2024 was \$51.2 million (\$48.6 million as of December 31, 2023). The graphic below presents the composition of the portfolio as of December 31, 2024.



Outlook 2024-25

Established in 1973, The Palm Beach State College Foundation, Inc., a 501c3 corporation, is celebrating 52 years of serving as the direct support organization for Palm Beach State College. The College, founded in 1933 as Florida's first state college, is celebrating 92 years as this county's largest institution of higher education.

This brief outlook statement is into three primary categories: investment outlook, fundraising outlook, and college program support outlook.

Investment Outlook:

While the short-term investment outlook is impossible to forecast with any degree of certainty, we remain optimistic about the overall stability, performance, and growth of our investment portfolio. Our confidence is rooted in two fundamental pillars. First, the investment policies of the Foundation equip the CEO and Board leadership with the necessary and appropriate guidelines and guardrails to minimize portfolio declines and maximize portfolio growth as dictated by market fluctuations. Secondly, the investment policies and market performance are reviewed by the Investment, Finance, Audit & Gift Acceptance Committee in conjunction with the external portfolio fund management advisors at Merrill on a regular basis.

Outlook 2024-25 (continued)

Fundraising Outlook:

At the conclusion of 2024, the Foundation had completed 72% of its \$100 million comprehensive fundraising campaign. The ability to complete the campaign and maintain the fundraising momentum and trajectory established over the last 5-7 years will be related to and dependent upon the following:

1. A clearly communicated and well-orchestrated leadership transition from the retiring CEO to his successor will facilitate ongoing donor engagement and the ability to maintain fundraising momentum regardless of the economic climate.
2. The College's inclination to "right size" the Foundation by expanding the number of qualified development officers to cultivate the increased number of major and principal gift prospects with whom we have engaged.

Program Support:

In addition to the ongoing annual scholarship support, which the Foundation provides for students, our fundraising efforts are aligned with and driven by the College's highest priorities and greatest needs. Signature program initiatives seeking substantial financial support for the coming year include the following in no particular order: PATH (Pather Advanced Technology Hub); Athletics: Beach Volleyball complex, Emergency Response Training Center (ERTC), Workforce and Trades Center for Innovation; Duncan Theater - Performing Arts Center renovation and expansion; Lake Worth campus library renovation and modernization.

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

STATEMENTS OF NET POSITION

December 31,

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,722,412	\$ 2,114,860
Contributions receivable	287,107	392,465
Accrued interest receivable	67,513	56,182
Pledges receivable, net	1,092,690	2,961,399
Investments	27,539,322	23,842,143
Prepaid items	37,973	-
Total current assets	31,747,017	29,367,049
NONCURRENT ASSETS		
Investments	22,951,302	22,628,141
Pledges receivable, net	7,330,781	617,161
Total noncurrent assets	30,282,083	23,245,302
TOTAL ASSETS	62,029,100	52,612,351
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	404,581	395,749
Related party accounts payable	45,154	24,698
Annuities payable	57,000	64,425
Total current liabilities	506,735	484,872
NONCURRENT LIABILITIES		
Annuities payable, net	354,536	418,448
TOTAL LIABILITIES	861,271	903,320
NET POSITION		
Restricted donor specified:		
Permanent endowments	22,951,302	22,628,141
Student assistance and college programs	32,396,243	23,397,767
Unrestricted	5,820,284	5,683,123
TOTAL NET POSITION	\$ 61,167,829	\$ 51,709,031

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,

	2024	2023
OPERATING REVENUES		
Contributions and gifts	\$ 10,256,977	\$ 4,593,412
Grants and matching funds	194,146	249,318
Donated services	1,473,386	1,107,586
Special events income	103,583	130,745
Other revenues	2,765	7,355
Total operating revenues	12,030,857	6,088,416
OPERATING EXPENSES		
Support of college programs	5,242,404	10,649,061
Scholarships	1,621,149	2,060,095
Management and general	915,735	978,881
Fundraising	939,268	947,652
Total operating expenses	8,718,556	14,635,689
OPERATING INCOME (LOSS)	3,312,301	(8,547,273)
NONOPERATING REVENUES		
Contributions to endowments	214,054	145,837
Net realized and unrealized gains on investments	4,724,697	5,567,070
Interest and dividend income	1,207,746	1,313,785
Total nonoperating revenues	6,146,497	7,026,692
CHANGE IN NET POSITION	9,458,798	(1,520,581)
Net position, beginning of the year	51,709,031	53,229,612
NET POSITION, END OF THE YEAR	\$ 61,167,829	\$ 51,709,031

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,

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 5,446,087	\$ 5,006,300
Other revenue received	1,579,734	1,030,377
Federal and state grants received	194,146	249,318
Payments to the college for scholarships	(1,621,149)	(2,060,095)
Payments to support college programs	(5,230,688)	(11,041,578)
Payments to suppliers	(936,134)	(1,602,132)
Payments for fundraising	(939,268)	(986,440)
Net cash used in operating activities	(1,507,272)	(9,404,250)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Restricted contributions received	214,054	145,837
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	1,196,413	1,322,213
Proceeds from sales and maturities of investments	21,654,143	25,116,131
Purchase of investments	(20,949,786)	(20,949,786)
Net cash provided by investing activities	1,900,770	5,488,558
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	607,552	(3,769,855)
Cash and cash equivalents, beginning of the year	2,114,860	5,884,715
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 2,722,412	\$ 2,114,860
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH FLOWS USED IN OPERATING ACTIVITIES		
Operating income (loss)	\$ 3,312,301	\$ (8,547,273)
Adjustments to reconcile net operating income (loss) to net cash used in operating activities:		
Provision for bad debt	(1,630,119)	-
Decrease (increase) in operating assets		
Contributions receivable	105,358	(196,755)
Pledges receivable, net	(3,214,792)	398,255
Prepays	(37,973)	-
Increase (decrease) in operating liabilities		
Accounts payable	29,290	(1,054,556)
Annuities payable	(71,337)	(3,921)
Net cash used in operating activities	\$ (1,507,272)	\$ (9,404,250)

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, 2024 and 2023

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's 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, 2024 and 2023

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 2024 and 2023, the Foundation had no allowance for pledges receivable based on prior experience with similar types of receivables.

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

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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

- 7. Investments and deposits** - The Foundation categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Foundation does not have any investments that are measured using Level 3 inputs.

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.

Mutual fund alternative investments consist of non-traditional mutual funds and collective investment trusts that invest in hedge fund strategies, real assets, or other non-correlated asset classes. Fair value is determined using NAVs provided by the fund managers or third-party administrators. These NAVs are based on the underlying investments' fair values, which include inputs that are observable or can be corroborated with market data, but are not traded on active markets themselves. Redemption restrictions, liquidity provisions, and transparency of the fund holdings are considered in assessing the classification as Level 2. Real estate investments include interests in real estate investment trusts (REITs) and real estate funds that do not trade in active markets. Fair value is estimated using NAVs or appraisal-based values provided by the investment managers. These valuations incorporate observable inputs such as recent comparable sales, market rents, and capitalization rates, but also involve assumptions and professional judgment, qualifying them as Level 2 inputs under the fair value hierarchy.

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.

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

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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

- 7. Investments and deposits (continued)** - The Foundation's investments and deposits at December 31, are reported at fair value, as follows:

Fair value	2024	2023
Debt securities (Level 1)		
U.S. government notes	\$ 4,275,535	\$ 4,172,920
Corporate bonds	3,161,170	3,130,983
Total debt securities	<u>7,436,705</u>	<u>7,303,903</u>
Equity securities (Level 1)		
Domestic stocks	19,869,859	16,945,132
International stocks	4,747,087	5,483,314
Total equity securities	<u>24,616,946</u>	<u>22,428,446</u>
Alternative Investments (Level 2)		
Mutual funds	16,830,674	15,108,453
Real estate investments	1,606,299	1,629,482
Total Alternative Investments	<u>18,436,973</u>	<u>16,737,935</u>
Total investments measured at Fair Market Value	50,490,624	46,470,284
Cash and cash equivalents	<u>2,722,412</u>	<u>2,114,860</u>
Total investments and deposits	<u>\$ 53,213,036</u>	<u>\$ 48,585,144</u>

- 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 2024 and 2023.

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

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

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

- 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, 2024 and 2023, donated services were \$1,473,385 and \$1,107,584, respectively.
- 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, 2024 and 2023 was \$209,004 and \$261,713, respectively.
- 13. Income tax status** - 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.

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

For the years ended December 31, 2024 and 2023

NOTE B - PLEDGES RECEIVABLES, NET

Unconditional pledges 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 4.65% and 5.01% at December 31, 2024 and 2023, respectively.

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

	2024	2023
Unconditional promises receivable (pledges)		
before unamortized discount	\$ 9,787,000	\$ 3,881,750
Less unamortized discount	(1,363,529)	(303,190)
Total	\$ 8,423,471	\$ 3,578,560
Pledges are due to be collected as follows:		
Less than or equal to one year	\$ 1,092,690	\$ 2,961,399
More than one year	7,330,781	617,161
Total	\$ 8,423,471	\$ 3,578,560

NOTE C - DEPOSITS AND INVESTMENTS

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

	Credit quality	2024	2023
Cash and cash equivalents	Not rated	\$ 2,722,412	\$ 2,114,860
Corporate bonds	AAA/BBB	3,161,170	3,130,983
U.S. Government notes	N/A	4,275,535	4,172,920
Mutual funds	N/A	16,830,674	15,108,453
Equity securities	N/A	24,616,946	22,428,446
Real estate investments	N/A	1,606,299	1,629,482
		\$ 53,213,036	\$ 48,585,144

The maturities for the corporate bonds and U.S. Government notes are below:

	Fair value	Debt maturities (in years)			
		Less than 1	1 - 5	6 - 10	Thereafter
Corporate bonds	\$ 3,161,170	\$ 379,340	\$ 1,106,410	\$ 948,351	\$ 727,069
U.S. Government notes	\$ 4,275,535	\$ 513,064	\$ 1,496,437	\$ 1,282,661	\$ 983,373

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

For the years ended December 31, 2024 and 2023

NOTE C - DEPOSITS AND INVESTMENTS (continued)

As presented on the Statement of Net Position:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,722,412	\$ 2,114,860
Current investments	27,539,322	23,842,143
Noncurrent investments	<u>22,951,302</u>	<u>22,628,141</u>
	<u>\$ 53,213,036</u>	<u>\$ 48,585,144</u>

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, 2024, 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, 2024, 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, 2024, 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, 2024, no single security represented more than 5% of the total portfolio value invested in any individual account managed by MLTC.

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

For the years ended December 31, 2024 and 2023

NOTE D - ANNUITY PAYABLE

The Foundation is party to four charitable gift annuity agreements as of December 31, 2024. 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 5.01%.

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, 2024 and 2023, the investment balance for the total of the 4 annuities was \$968,254 and \$1,059,066, respectively, which is presented with the other Foundation investments based on the applicable investment type. As of December 31, 2024 and 2023, the annuity payable is \$411,536 and \$482,873, 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 2024 and 2023. The Foundation's general spending was calculated within the policy guidelines.

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

For the years ended December 31, 2024 and 2023

NOTE E - ENDOWMENTS (continued)

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

	<u>2024</u>	<u>2023</u>
Total endowment balance	\$ 39,055,045	\$ 35,300,274
Less amounts restricted for student assistance and college programs	<u>16,103,743</u>	<u>12,672,133</u>
Restricted for permanent endowments	<u>\$ 22,951,302</u>	<u>\$ 22,628,141</u>

All assets of the Foundation are considered restricted for college support. For 2024, the amount restricted for student assistance and college programs, totals \$23,074,606, which is made up of temporarily restricted endowments of \$16,103,743 and temporarily restricted amounts related to non-endowment contributions of \$6,970,863. 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.

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, 2024 and 2023, the Foundation's First Generation in College Matching Grant funds is \$194,146 and \$188,420, 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 2024. 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.

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

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

NOTE I - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through the date noted on the Independent Auditor's Report, the date the financial statements were available to be issued, and has determined that no material transactions have occurred that would warrant additional adjustment or disclosure in the financial statements.

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, 2024, 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 13, 2025.

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 13, 2025
Melbourne, Florida

Berman Hopkins Wright & Latham
CPAs and Associates, LLP