

**Pasco-Hernando
State College Foundation, Inc.**

A Component Unit of Pasco-Hernando State College

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2024 AND 2023

King & Walker, CPAs, PL

Certified Public Accountants

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PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

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Independent Auditor's Report

To the Board of Directors
Pasco-Hernando State College Foundation, Inc.
New Port Richey, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Pasco-Hernando State College Foundation, Inc. ("Foundation"), a component unit of Pasco-Hernando State College, as of and for the years ended December 31, 2024, and 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic 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 Pasco-Hernando State College Foundation, Inc., as of December 31, 2024, and 2023, and the respective changes in financial position and 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 (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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 opinions. 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 Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 April 21, 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.

King & Walker, CPAs

April 21, 2025
Tampa, Florida

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

Management's Discussion and Analysis - (Unaudited)

The management of Pasco-Hernando State College Foundation, Inc. (the Foundation) presents this Management's Discussion and Analysis (MD&A) to provide a narrative overview and analysis of the Foundation's financial activities for the year ended December 31, 2024. This report includes comparative information for the years ended December 31, 2023, and 2022.

The purpose of this discussion is to help readers identify and understand the significant issues and changes in the Foundation's financial condition. It is important to read this information alongside the accompanying audited financial statements and the notes to those financial statements. Both the financial statements and the notes, along with this MD&A, were prepared by management and are the responsibility of management.

The Foundation is a component unit of Pasco-Hernando State College.

FINANCIAL HIGHLIGHTS

The year 2024 marked a significant transition for the College and the Foundation. Dr. Jesse Pisors commenced his role as the fifth president of Pasco-Hernando State College. One of his first tasks was to create a 5-year strategic plan, which was put in place in January of 2025. This plan will guide the College and the Foundation until the year 2030. During the year ending December 31, 2024, the Foundation's investment portfolio achieved a 10.0% return, net of fees. This marks a significant improvement compared to a positive return of 7.71% in the prior year and a negative return of 10.50% two years ago. As a result, the Foundation's net position, which represents the difference between total assets and total liabilities, increased from \$68.7 million to \$74.2 million by December 31, 2024. This growth was primarily driven by realized and unrealized gains in the markets.

The Foundation's revenue from donor contributions and fundraising totaled over \$1.1 million for the year ended December 31, 2024. This represents a 60% decrease compared to a 182% increase in 2023. During the year ended December 31, 2024, the Foundation provided support to campus needs through scholarships and grants amounting to \$2.01 million, while in 2023, this support was \$2.23 million.

Scholarships awarded decreased from \$1,328,067 in 2023 to \$1,117,742 in 2024. The combination of this support for the College, along with other operating expenses and donor contributions, resulted in an operating loss of \$1,677,219 for the year ended December 31, 2024, compared to an operating loss of \$296,242 for the year ended December 31, 2023. However, due to positive investment returns in 2024, the Foundation achieved a non-operating gain of \$6.7 million compared to \$4.9 million in 2023. Additionally, additions to permanent endowments totaled \$402,899 for the year ended December 31, 2024.

The Foundation anticipates fluctuations in both contribution revenue and investment results from year to year. Significant contributions may occasionally come from donors with whom we have developed relationships over many years. The timing of these contributions is often unpredictable and may align with specific campus initiatives. Additionally, since the Foundation manages the endowment portfolio with a long-term goal of capital appreciation, it is normal and expected for there to be variations in any single year.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

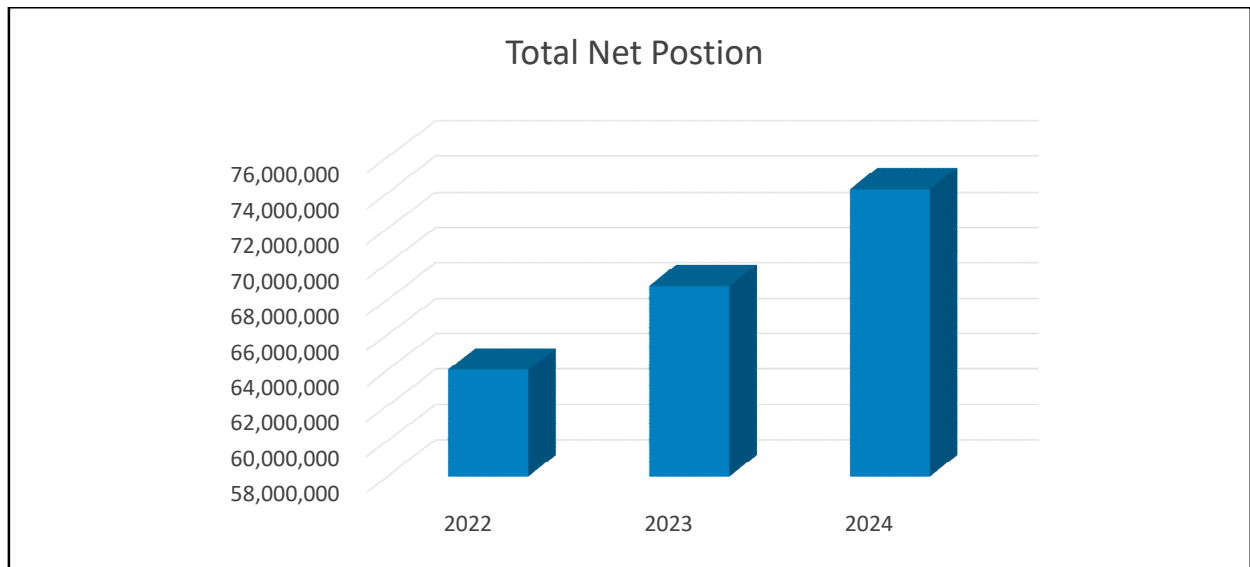
Management’s Discussion and Analysis - (Unaudited)

Presentation

The Foundation presents its financial report in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34), which focuses the reader of the financial reports on the Foundation’s overall financial condition, and changes in net position and cash flow, taken as a whole.

Condensed Statement of Net Position

	12-31-2024	Change		12-31-2023	Change		12-31-2022
ASSETS							
Current Assets	\$ 3,736,688	\$ (2,525,381)	-40%	\$ 6,262,069	\$ 2,607,738	71%	\$ 3,654,331
Land, Property and Equipment, net	57,487	(233,365)	-80%	290,852	(796)	0%	291,648
Noncurrent Assets, other	70,681,568	7,595,497	12%	63,086,071	2,677,385	4%	60,408,686
Total Assets	\$74,475,743	\$ 4,836,751	7%	\$69,638,992	\$ 5,284,327	8%	\$ 64,354,665
LIABILITIES							
Current and Other Liabilities	\$ 254,831	\$ (611,817)	-71%	\$ 866,648	\$ 525,500	154%	\$ 341,148
Total Liabilities	254,831	(611,817)	-71%	866,648	525,500	154%	341,148
NET POSITION							
Restricted							
Expendable	40,486,965	4,231,263	12%	36,255,702	4,200,068	13%	32,055,634
Nonexpendable	28,933,916	727,577	3%	28,206,339	69,517	0%	28,136,822
Unrestricted	4,800,031	489,728	11%	4,310,303	489,242	13%	3,821,061
Total Net Position	74,220,912	5,448,568	8%	68,772,344	4,758,827	7%	64,013,517
Total Liabilities and Net Position	\$74,475,743	\$ 4,836,751	7%	\$69,638,992	\$ 5,284,327	8%	\$ 64,354,665



PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

Management's Discussion and Analysis - (Unaudited)

The Statement of Net Position encompasses all the assets and liabilities of the Foundation. Net position is a valuable indicator of the organization's financial health over time. Several factors related to the Foundation's financial operations contributed to the change in net position for the year ending December 31, 2024.

The Condensed Statement of Net Position presents the assets, liabilities, and net position as of December 31 for the years 2024, 2023, and 2022. The Foundation's current assets primarily consist of cash, cash equivalents, and investments.

In 2024, current assets decreased by \$2,525,381, or 40%, while in 2023 they increased by \$2,607,738, or 71%. Additionally, cash and cash equivalents fell by approximately \$1.4 million in 2024, and deposits in transit also saw a decline of \$1.08 million during the same year.

Noncurrent assets mainly include endowment investments, land, property, equipment, and long-term receivables. These assets increased by 12%, rising to \$70.7 million from \$63.1 million in the previous year.

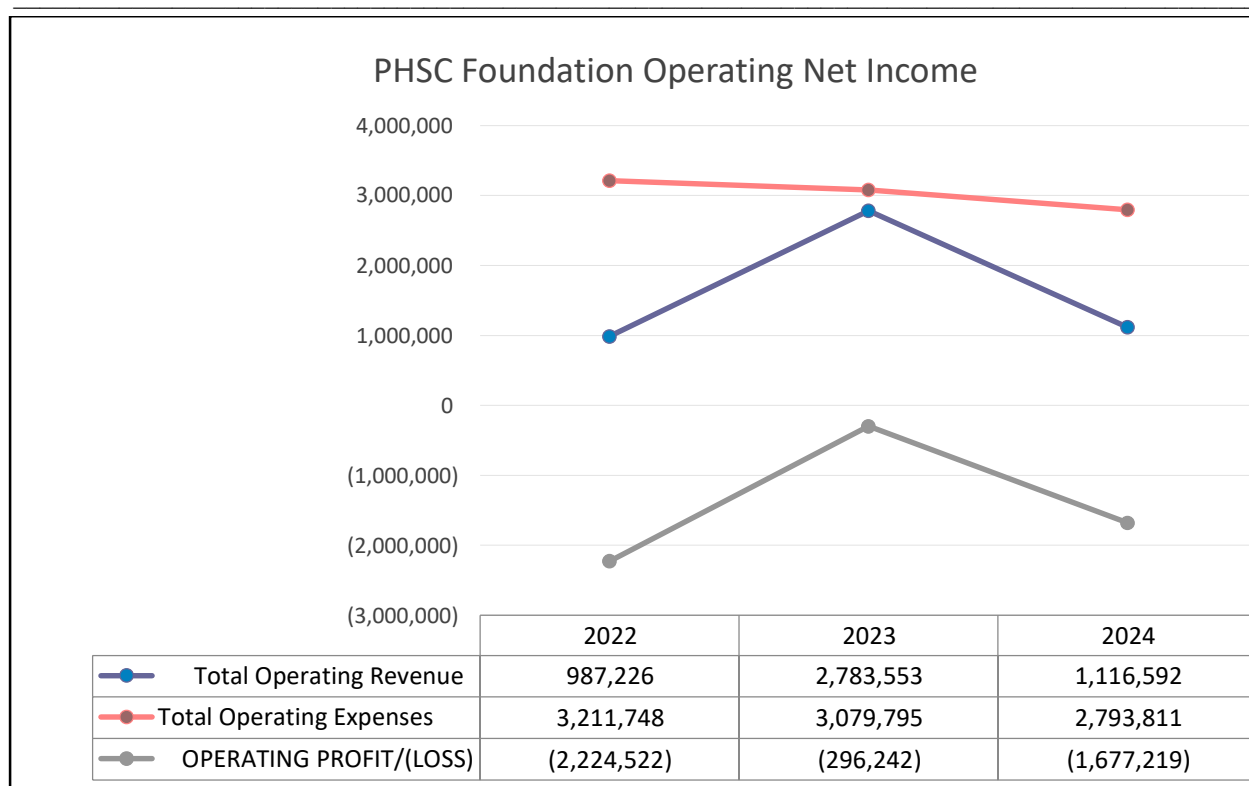
Current liabilities primarily consist of accrued and unpaid scholarships and program costs at the year's end, as well as deferred revenue and deferred liabilities. Current liabilities decreased by 71%, or \$611,817, compared to the previous year, largely due to unpaid fall scholarships in 2023.

Condensed Statement of Revenues, Expenses, and Change in Net Position

	<u>12-31-2024</u>	<u>Change</u>		<u>12-31-2023</u>	<u>Change</u>		<u>12-31-2022</u>
Operating Revenues and Expenses							
Contributions and Other	\$ 1,116,592	\$ (1,666,961)	-60%	\$ 2,783,553	\$ 1,796,327	182%	\$ 987,226
Operating Expenses	<u>2,793,811</u>	<u>(285,984)</u>	-9%	<u>3,079,795</u>	<u>(131,953)</u>	-4%	<u>3,211,748</u>
Operating (Loss)	(1,677,219)	(1,380,977)		(296,242)	1,928,280	-87%	(2,224,522)
Nonoperating Revenue	6,722,888	1,733,226	35%	4,989,662	12,529,947	-166%	(7,540,285)
Additions to Permanent Endowments	<u>402,899</u>	<u>337,492</u>	516%	<u>65,407</u>	<u>(28,880)</u>	-31%	<u>94,287</u>
Change in Net Position	5,448,568	689,741		4,758,827	14,429,347	-149%	(9,670,520)
Net Position, beginning of year	<u>68,772,344</u>	<u>4,758,827</u>	7%	<u>64,013,517</u>	<u>(9,670,520)</u>	-13%	<u>73,684,037</u>
Net Position, end of year	<u><u>\$ 74,220,912</u></u>	<u><u>\$ 5,448,568</u></u>	8%	<u><u>\$ 68,772,344</u></u>	<u><u>\$ 4,758,827</u></u>	7%	<u><u>\$ 64,013,517</u></u>

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

Management’s Discussion and Analysis - (Unaudited)



The Statement of Revenues, Expenses, and Change in Net Position provides an overview of revenues earned and expenses incurred during the year, categorized as operating, nonoperating, or additions to permanent endowments. Incoming gifts to the Foundation are reported as operating revenue, while grants made to the College are classified as operating expenses. Additionally, the results of investments are recorded as nonoperating income or expense.

The Condensed Statement of Revenues, Expenses, and Change in Net Position summarizes the operating and non-operating revenues and expenses, as well as additions to permanent endowments, for the years ending December 31, 2024, 2023, and 2022. For the year ending December 31, 2024, the organization reported a net operating loss of \$1.68 million. This is an increase in the loss compared to \$296,242 for the year ending December 31, 2023, and a decrease from a loss of \$2.22 million for the year ending December 31, 2022.

During the year ended December 31, 2024, operating revenue included approximately \$1.1 million in contributions and other revenues. This represents a 60% decrease compared to the year ended December 31, 2023, when contributions increased by approximately \$1.8 million, or 182%, from the year ended December 31, 2022. These contributions result from long-term donor cultivation as well as specific appeals for immediate needs, and they are not entirely predictable.

During the year ended December 31, 2024, operating expenses amounted to \$2.8 million, reflecting a decrease of \$285,984 compared to the year ended December 31, 2023. In 2023, operating expenses fell by \$131,953 compared to the year ended December 31, 2022. A significant portion of the operating expenses includes grants made by the Foundation to the College in response to funding requests from intended campus beneficiaries. These grants are allocated for purposes that align with the donor restrictions associated with contributions, supporting various college programs and needs, including student aid and general departmental assistance. Typically, the disbursement of grants to the College lags behind the timing of incoming contribution revenues

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

Management's Discussion and Analysis - (Unaudited)

and endowed payouts. This lag can vary from a short period to several years. The annual changes in grant amounts given to the College depend on the College's needs for the funds and the timing of expenditures on capital projects funded by contributions. As a result of these factors, operating expenses have exceeded contribution revenue in the fiscal years ending December 31 for 2024, 2023, and 2022, leading to operating losses in all three years.

Nonoperating revenues consist of net investment income and the net appreciation or depreciation of investments for both unrestricted and restricted expendable funds. For the year ending December 31, 2024, nonoperating revenues increased by \$1.73 million, representing a 35% rise compared to the year ending December 31, 2023. In contrast, nonoperating revenues for the year ending December 31, 2023, increased by \$12.5 million, or 166%, compared to the year ending December 31, 2022. These fluctuations from year to year are primarily due to changes in the market.

During the year ended December 31, 2024, endowed gifts contributed an additional \$402,899 to the Foundation's net position, a significant increase from the \$65,407 received in the year ended December 31, 2023. Increasing both the number of gifts and the overall value of the endowment is crucial for the Foundation. The size of the endowment directly influences the availability of permanent resources that benefit the College and its students.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Several factors can significantly influence future periods, particularly the condition of financial markets and the overall economy, including ongoing inflation and rising interest rates. These elements affect investment values and can impact charitable contributions. The Foundation Board members continuously monitor the state of the economy, its direct effect on overall giving, and the investment pool.

Private support has become an increasingly important source of revenue for students and the various campuses. The Foundation expects a higher rate of utilization of its held funds in the future.

USING THE INFORMATION IN THE FINANCIAL REPORT

The Foundation's financial statements follow this discussion and analysis. The annual report includes a series of financial statements that are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. These statements provide insights into the Foundation's overall financial condition, changes in net position, and cash flows, considered as a whole.

One of the most important questions asked regarding the Foundation's finances is whether its overall situation has improved or worsened due to the year's activities. To understand this question, it is essential to examine the Statement of Net Position, the Statement of Revenues, Expenses, and Change in Net Position, and the Statement of Cash Flows. These statements present financial information in a format similar to that used by private sector companies. The Foundation's net position, which is the difference between its assets and liabilities, serves as one indicator of the Foundation's financial health, particularly when considered alongside other non-financial information.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

Management's Discussion and Analysis - (Unaudited)

The Statement of Net Position reports assets, liabilities, and net position as of December 31, 2024, and 2023. The balances are a reflection of activities that have occurred during the respective fiscal years and come from transactions between assets and liabilities or from transactions in the Statement of Revenues, Expenses, and Change in Net Position. The balances are presented as either current (expected to be realized in 12 months) or noncurrent in nature.

The Statement of Revenues, Expenses, and Change in Net Position showcases the operational results for the years ending December 31, 2024, and 2023. Activities are categorized as operating, nonoperating, or additions to permanent endowments. Non-endowed gifts are recorded as operating revenue, while investment results are classified as nonoperating revenue. Both the Statement of Net Position and the Statement of Revenues, Expenses, and Change in Net Position are prepared using the accrual basis of accounting.

The remaining required statement is the Statement of Cash Flows which details the sources and uses of funds, effectively accounting for the change in cash and cash equivalent balances for the reporting period.

The notes to the financial statements offer crucial information and detailed explanations that are necessary for a complete understanding of the data presented in the financial statements. You can find these notes immediately after the basic financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Foundation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dr. Lisa Richardson, Vice President of Advancement, Innovation and Strategic Partnerships, Pasco-Hernando State College Foundation, 10230 Ridge Road, New Port Richey, FL 34654-5199.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.
STATEMENT OF NET POSITION
DECEMBER 31, 2024 AND 2023

	<u>ASSETS</u>	
	2024	2023
Current Assets:		
Cash and Cash Equivalents	\$ 3,373,979	\$ 4,796,608
Investments	24,962	71,650
Interest Receivable	219,593	136,342
Pledges Receivable	22,063	84,888
State Matching Grants Receivable	26,397	27,698
Deposits in Transit	28,333	1,103,951
Prepaid Expenses and Other Current Assets	41,361	40,932
Total Current Assets	3,736,688	6,262,069
Noncurrent Assets:		
Land	-	232,569
Property and Equipment, net	57,487	58,283
Investments	41,747,651	34,856,314
Endowment Investments	28,933,916	28,206,339
Long-Term Receivables	1	23,418
Total Noncurrent Assets	70,739,055	63,376,923
TOTAL ASSETS	\$ 74,475,743	\$ 69,638,992

LIABILITIES AND NET POSITION

Current Liabilities:		
Accounts Payable	\$ 40,480	\$ 44,464
Due to Pasco-Hernando State College	160,561	802,433
Deferred Revenue	53,790	19,751
Total Current Liabilities	254,831	866,648
Net Position:		
Restricted:		
Expendable	40,486,965	36,255,702
Nonexpendable	28,933,916	28,206,339
Unrestricted	4,800,031	4,310,303
Total Net Position	74,220,912	68,772,344
TOTAL LIABILITIES AND NET POSITION	\$ 74,475,743	\$ 69,638,992

The Notes are an integral part of these financial statements.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
For The Years Ended DECEMBER 31, 2024 and 2023

	2024	2023
Operating Revenues:		
Contributions	\$ 430,669	\$ 2,010,903
State Matching Grant Funds	52,794	55,396
Fundraising	38,874	79,879
In-Kind Contributions	594,255	637,375
Total Operating Revenue	1,116,592	2,783,553
Operating Expenses:		
Program Services:		
Scholarships	1,177,742	1,328,607
Staff & Program Development	832,139	910,516
Total Program Services	2,009,881	2,239,123
Support Services:		
Fundraising	43,690	155,974
Administrative Expenses	160,671	165,050
Depreciation	796	796
In-Kind Personnel Services	578,773	518,852
Total Support Services	783,930	840,672
Total Operating Expenses	2,793,811	3,079,795
OPERATING PROFIT/(LOSS)	(1,677,219)	(296,242)
Nonoperating Revenues:		
Investment income, net of fees	1,939,146	1,739,930
Net Unrealized Gain/(Loss) of Investments	4,783,742	3,249,732
Total Nonoperating Revenues	6,722,888	4,989,662
Income before additions to Permanent Endowments	5,045,669	4,693,420
Additions to Permanent Endowments:		
Contributions	402,899	65,407
Total Additions to Permanent Endowments	402,899	65,407
CHANGE IN NET POSITION	5,448,568	4,758,827
NET POSITION - BEGINNING	68,772,344	64,013,517
NET POSITION - ENDING	\$ 74,220,912	\$ 68,772,344

The Notes are an integral part of these financial statements.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For The Years Ended DECEMBER 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Contributions from donors and grantors	\$ 1,734,388	\$ 1,298,278
Payments to vendors	(208,145)	(358,383)
Payments for scholarships	(1,177,742)	(1,328,607)
Payments for programs	(1,474,011)	(394,062)
Net cash provided/(used) by operating activities	(1,125,510)	(782,774)
Cash flows from noncapital financing activities:		
Endowment contributions	402,899	65,407
Net cash provided by noncapital financing activities	402,899	65,407
Cash flows from capital and related financing activities:		
Sale of Capital Assets	232,569	-
Net cash (used) by capital and related financing activities	232,569	-
Cash flows from investing activities:		
Proceeds from sale of investments	39,414,475	22,729,893
Purchase of investments	(42,030,904)	(48,123,731)
Cash received from investment income, net of fees	1,683,842	27,712,688
Net cash provided/(used) by investing activities:	(932,587)	2,318,850
Net Change in Cash and Cash Equivalents	(1,422,629)	1,601,483
Cash and Cash Equivalents - beginning of year	4,796,608	3,195,125
Cash and Cash Equivalents - end of year	\$ 3,373,979	\$ 4,796,608
Reconciliation of operating income/(loss) to net cash provided/(used) by operating activities:		
Operating Profit/(Loss)	\$ (1,677,219)	\$ (296,242)
Adjustments to reconcile the operating loss to net cash provided/(used) by operating activities:		
Depreciation expense	796	796
Change in assets and liabilities:		
Accounts receivable	1,161,859	(1,006,693)
State matching grants receivable	1,301	32,314
Prepaid expenses	(430)	(38,449)
Accounts payable	(645,856)	511,229
Deferred revenue	34,039	14,271
Net cash used by operating activities	\$ (1,125,510)	\$ (782,774)

The Notes are an integral part of these financial statements.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

1. ***DESCRIPTION OF ORGANIZATION***

Pasco-Hernando State College Foundation, Inc. is a nonprofit corporation based in Florida, established in December 1975. It is governed by a 21-member board. The Foundation primarily serves as an advocate for Pasco-Hernando State College and encourages charitable donations to provide financial support for the College and its students. As a public charity, the Foundation accepts contributions to enhance the College's diverse teaching and public service programs, support capital projects, and facilitate other related improvements. In addition, The Foundation provides an avenue for cultural events through the support of theater and art programs.

The College provides the necessary resources to cover facility costs, administration, and some personnel expenses. The Foundation's main expenditures are related to operations, including personnel costs, scholarships for students attending Pasco-Hernando State College, and funding for staff and program development that support campus needs, all while adhering to donor restrictions on gifts.

As a direct support organization for the College, the Foundation's financial statements are included in the College's financial statements as a component unit.

2. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

A summary of the significant accounting policies applied in preparation of the accompanying financial statements is presented below:

➤ ***Basis of Accounting***

The financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. As a general rule, the effects of interfund activities have been eliminated from the Foundation's financial statements.

The Foundation reports as an entity engaged in one business-type activity.

➤ ***Classification of Current and Noncurrent Assets and Liabilities***

The Foundation defines assets as current if they are held as cash or can be easily converted to cash within 12 months of the Statement of Net Position date and are available for meeting operating needs or paying current liabilities. Similarly, liabilities are considered current if they are expected to be due and paid within 12 months of that same date, as part of normal Foundation business operations. All other assets and liabilities are classified as noncurrent.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

➤ **Cash and Cash Equivalents**

The Foundation's cash and cash equivalents consist of cash in banks, money market accounts, and cash held in investment accounts, which are used to deposit Foundation contribution receipts and make transfers to the College to expend in accordance with donor restrictions. The Foundation considers all resources invested in money market funds, certificates of deposit and highly liquid debt instruments issued with a maturity of three months or less to be cash equivalents.

➤ **Investments**

Investments are carried at fair value. The basis of determining the fair value of investments is the readily determinable sales price or current exchange rate of the investments based on prices or quotations for over-the-counter markets such as the New York Stock Exchange (NYSE) or the National Association of Securities Dealers Automated Quotations (NASDAQ). In the case of pooled funds or mutual funds, the fair value is determined by multiplying the number of units held in the pool by the prices per unit share as quoted by the broker and/or investment manager. The net change in fair value of investments consists of both realized and unrealized gain and loss on investments. Gains or losses on the sale of components within any investment pool resulting from investment management decisions are attributed to the pool.

➤ **Property and Equipment**

Acquisitions of property and equipment are recorded at cost, while donated equipment and tangible property are recorded at their fair market value at the time of donation. Depreciation is applied over the estimated useful lives of the assets using the straight-line method. Tangible property, such as works of art, is considered part of a collection and is not subject to depreciation.

➤ **Net Position**

The Foundation's net position is classified into the following net asset categories:

Restricted – nonexpendable: Assets subject to externally imposed conditions that the Foundation will retain in perpetuity. This classification of net position represents the net corpus of true donor-restricted endowed funds. Generally, the donors of these assets permit the Foundation to use all, or part of the income earned on any related investments for general or specific purposes. To the extent that the market value of a fund is below its historical cost (corpus), the difference is recorded as restricted-expendable in the Statement of Net Position.

Restricted – expendable: Assets subject to externally imposed conditions that can be fulfilled by the actions of the Foundation or by the passage of time. These assets may include accumulated appreciation on the endowment funds, accumulated endowment spending allocations, and restricted expendable funds.

Unrestricted – All other categories.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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➤ **Classification of Revenue and Expenses**

The Foundation considers operating revenue and expenses in the Statement of Revenues, Expenses and Changes in Net Position to be revenue and expenses that result from activities that are connected directly to the Foundation's primary functions. Such transactions include grants the Foundation makes to the College. The Foundation has no revenue from exchange transactions that would be considered operating revenue. Certain other transactions are reported as non-operating revenues and expenses in accordance with GASB Statement No. 34. These non-operating activities include the Foundation's noncapital financing activities and net investment income.

➤ **Contributions and Pledges**

Contributions are recognized when a donor makes an unconditional promise to give to the Foundation. If a donor imposes restrictions on the contribution, these are reported as an increase in unrestricted net position only if the restriction expires within the same reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in either expendable or nonexpendable net position, depending on the nature of the restriction. When a restriction expires, any net position that was restricted - expendable is reclassified to unrestricted net position.

Investment income and net realized or unrealized gains or losses on restricted contributions are recorded as increases or decreases to net position, either restricted - expendable or nonexpendable, in accordance with donor stipulations.

Unconditional promises to donate cash or other assets to the Foundation in the future are recorded as contribution revenue and pledges receivable. If management anticipates that the cash from these pledges will be received more than one year from now, both the contribution revenue and the pledges receivable are discounted for the time value of money.

➤ **Donated Items**

The fair value of donated securities, materials, services, small equipment, land, and other nonmonetary items is recorded in the financial statements as contributions at the time of the donation.

Employees of the College manage the Foundation. The expenses covered by the College are recognized as in-kind contribution revenue and expenses. Additionally, the College provides office space for the Foundation.

➤ **Expenses**

The expenses of the Foundation are allocated between Program Services and Support Services.

Program Services:

Program services include scholarships as well as expenses for staff and program development paid to the College. These scholarships and expenses are recognized as liabilities and expenses when the commitment to pay is made, rather than when the cash is actually disbursed.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

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Support Services:

Support services encompass the operating expenses associated with fundraising, administration, depreciation, and in-kind support. Administrative expenses cover the costs of running the Foundation's offices, which includes collecting, processing, and maintaining financial and legal information. Fundraising costs refer to the expenses related to the direct solicitation of contributions to the Foundation.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Foundation's policy is to apply restricted resources first.

➤ Income Tax

The Foundation is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to Federal or state income taxes. It qualifies for the charitable contribution deduction under Section 170(1)(A) and has been classified as an organization that is not a private foundation Section 509(a)(1). However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in the furtherance of the purpose for which the Foundation is granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

➤ Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that impact certain reported amounts and disclosures. Consequently, actual results may differ from these estimates.

➤ Subsequent Events

Management has reviewed all events that occurred after the balance sheet date and up to the report date, which is when these financial statements were made available for issuance. They continue to assess the effects of fluctuations in the investment market, as well as the impacts of inflation and rising interest rates. While it is reasonably possible that these factors could negatively affect the organization's financial position, operational results, and/or cash flows, the specific impact cannot be determined as of the date of these financial statements. Therefore, no adjustments have been made to the financial statements to reflect this uncertainty.

PASCO-HERNANDO STATE COLLEGE FOUNDATION, INC.

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3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with GASB Statement No. 40, Deposits and Investment Risk Disclosure, (GASB 40) the Foundation's investments are reported by investment type at fair value in the table below. GASB 40 also requires disclosure of various types of investment risk based on the type of investment, as well as, stated policies adopted by the Foundation to manage the risk.

The Foundation's cash, cash equivalents, and investments consist of the following as of December 31, 2024, and 2023:

	2024	2023
Cash and Cash Equivalents:		
Commercial Banks	\$ 810,292	\$ 1,523,487
Money Market Funds	2,563,686	3,273,121
Total Cash and Cash Equivalents	3,373,979	4,796,608
Investments:		
U.S Government Obligations	6,682,406	2,363,467
Federal Agency Obligations	4,472	2,928,270
Corporate Bonds & Notes	6,956,099	4,533,349
Asset Backed Securities	148,653	255,415
Mortgage Backed Securities	4,716,138	3,203,434
Taxable Munis	-	393,742
Mutual Funds	43,217,177	37,227,969
Stocks and Equity Securities	9,150,946	12,318,603
CFTB Investment Pool	50,231	46,396
Total Investments	70,926,122	63,270,645
Total Cash, Cash Equivalents, and Investments	74,300,101	68,067,253
Current - Cash and Cash Equivalents	\$ 3,373,979	\$ 4,796,608
Current - Investments	244,555	207,992
Noncurrent - Investments	70,681,567	63,062,653
Total	\$ 74,300,101	\$ 68,067,253

Fair Value Measurement

Generally accepted accounting principles in the United States of America establishes a hierarchy for which assets and liabilities must be grouped, based on significant levels of inputs (assumptions that market participants would use in pricing and asset or liability) as follows:

- Level 1 Input Valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume);
- Level 2 Input Valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market; and

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- Level 3 Input Valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data.

Foundation Investments at fair value, as of December 31, 2024, and 2023, are classified as follows:

<u>2024</u>				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Debt Securities:				
U.S. Government Obligations	\$ 6,682,406	\$ 6,682,406	\$ -	\$ -
Federal Agency Obligations	4,472	4,472	-	-
Corporate Bonds & Notes	6,956,099	6,956,099	-	-
Asset Backed Securities	148,653	148,653	-	-
Mortgage Backed Securities	4,716,138	4,716,138	-	-
Taxable Munis	-	-	-	-
Total Debt Securities	<u>18,507,768</u>	<u>18,507,768</u>	<u>-</u>	<u>-</u>
Equities:				
Mutual Funds	43,217,177	43,217,177	-	-
Stocks	9,150,946	3,373,462	-	5,777,484
Total Equities	<u>52,368,123</u>	<u>46,590,639</u>	<u>-</u>	<u>5,777,484</u>
CFTB Investment Pool	50,231	50,231	-	-
TOTAL INVESTMENTS	<u><u>\$ 70,926,122</u></u>	<u><u>\$ 65,148,637</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,777,484</u></u>

<u>2023</u>				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Debt Securities:				
U.S. Government Obligations	\$ 2,363,467	\$ 2,363,467	\$ -	\$ -
Federal Agency Obligations	2,928,270	2,928,270	-	-
Corporate Bonds & Notes	4,533,349	4,533,349	-	-
Asset Backed Securities	255,415	255,415	-	-
Mortgage Backed Securities	3,203,434	3,203,434	-	-
Taxable Munis	393,742	393,742	-	-
Total Debt Securities	<u>13,677,677</u>	<u>13,677,677</u>	<u>-</u>	<u>-</u>
Equities:				
Mutual Funds	37,227,969	37,227,969	-	-
Stocks	12,318,603	5,397,262	-	6,921,341
Total Equities	<u>49,546,572</u>	<u>42,625,231</u>	<u>-</u>	<u>6,921,341</u>
CFTB Investment Pool	46,396	46,396	-	-
TOTAL INVESTMENTS	<u><u>\$ 63,270,645</u></u>	<u><u>\$ 56,349,304</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,921,341</u></u>

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The following schedules show the maturities for the Foundation's investments in debt securities and mutual funds:

2024

Investment	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Government Obligations	\$ 6,682,406	\$ -	\$ 2,678,574	\$ 2,976,436	\$ 1,027,396
Federal Agency Obligations	4,472	-	4,472	-	-
Corporate Bonds and Notes	6,956,099	-	2,859,267	2,604,790	1,492,042
Asset Backed Securities	148,653	748	54,476	64,482	28,947
Mortgage Backed Securities	4,716,138	-	15,461	1,362,724	3,337,953
Taxable Munis	-	-	-	-	-
Mutual Funds	43,217,177	43,217,177	-	-	-
Total	\$ 61,724,945	\$ 43,217,925	\$ 5,612,250	\$ 7,008,432	\$ 5,886,338

2023

Investment	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Government Obligations	\$ 2,363,467	\$ 17,246	\$ 844,030	\$ 644,245	\$ 857,945
Federal Agency Obligations	2,928,270	-	1,425,241	-	1,503,029
Corporate Bonds and Notes	4,533,349	20,283	2,006,908	1,936,785	569,373
Asset Backed Securities	255,415	-	238,739	-	16,676
Mortgage Backed Securities	3,203,434	-	-	73,208	3,130,225
Taxable Munis	393,742	-	-	-	393,742
Mutual Funds	37,227,969	37,227,969	-	-	-
Total	\$ 50,905,646	\$ 37,265,498	\$ 4,514,917	\$ 2,654,238	\$ 6,470,992

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Investment income from these investments for the years ended December 31, 2024, and 2023 is summarized as follows:

	2024	2023
Net capital gains/(loss) on investments	\$ (230,000)	\$ 49,408
Interest and dividends	2,420,970	1,929,211
Investment fees and taxes	(251,824)	(238,689)
Total	<u>\$ 1,939,146</u>	<u>\$ 1,739,930</u>

There are many factors that can affect the value of investments. Some, such as custodial risk, concentration of credit risk, and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. The Foundation has adopted a written investment policy to provide the basis for the management of a prudent investment program appropriate to the particular fund type.

Interest Rate Risk

Interest rate risk refers to the possibility that the value of fixed-income securities will decrease as interest rates rise. Fixed-income securities with longer maturities are usually more sensitive to changes in interest rates and, consequently, tend to be more volatile than those with shorter maturities.

The Foundation's investment policy aims to manage risk by maintaining substantial balances in cash equivalents and other short-term investments. This strategy is effective because changing interest rates have a limited impact on the prices of these securities. Additionally, the policy restricts the duration of bond investments to between 80% and 120% of the fixed income benchmark.

The Foundation's investment policy stipulates that fixed income securities must have a rating of Baa2 or higher from Moody's, or BBB (mid) or higher from Standard and Poor's. Additionally, if any investment is downgraded below this minimum rating, it must be sold within 10 trading days.

Credit Risk

Fixed income securities carry credit risk, which is the risk that a bond issuer might fail to make timely interest or principal payments. Additionally, negative perceptions regarding the issuer's ability to meet these obligations can lead to a decline in bond prices. Various factors can contribute to this risk, including financial instability, bankruptcy, litigation, or adverse political events.

The credit quality of a bond reflects the issuer's ability to pay interest and, ultimately, to repay the principal. This quality is assessed by independent bond rating agencies, such as Moody's Investor Service or Standard & Poor's. Generally, a lower bond rating indicates a higher probability of default or failure to meet payment obligations. Consequently, bonds with lower credit ratings typically offer higher yields to compensate investors for the additional risk.

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Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, have little or no credit risk. The Foundation maintains policies to manage credit risk, which include requiring minimum credit ratings issued by nationally recognized rating organizations.

<u>Investment</u>	<u>Ratings</u>		Percentage of total Debt Securities Investments
	Standard & Poor's	Moody's	
U.S. Government Obligations	AA+	Aaa	36%
Federal Agency Obligation	N/A	N/A	0%
Corporate Bonds and Notes	AA - BBB	A1 - Baa2	38%
Asset Backed Securities	AAA - AA+	Aaa	1%
Mortgage Backed Securities	AAA - AA+	Aaa	25%
Taxable Munis	N/A	N/A	0%

<u>Investment</u>	<u>Ratings</u>		Percentage of total Debt Securities Investments
	Standard & Poor's	Moody's	
U.S. Government Obligations	AA+	Aaa	17%
Federal Agency Obligations	AA+	Aaa	21%
Corporate Bonds and Notes	AA+ - BBB	Aaa - Baa2	33%
Asset Backed Securities	AAA - NR	Aaa - NR	2%
Mortgage Backed Securities	AAA - NR	Aaa - NR	23%
Taxable Munis	AAA - AA-	Aaa - Aa3	4%

Concentration of Credit Risk

Concentration of credit risk is the risk of loss associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the Foundation to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Securities issued or explicitly guaranteed by the U.S. government, Fannie Mae and government agencies are not considered by management to be a concentration of credit risk. The Foundation's investment policy limits the amount of investment with any one issuer to 5% of an investment manager's equity portfolio except for investments in: U.S. government guaranteed investments, mutual funds, external investment pools, and other pooled investments. In addition, investment in non-government bonds shall be limited to 2% of the total bond portfolio.

From time to time, the Foundation holds deposits in excess of the amount insured by the Federal Insurance Corporation. Management believes that the risk of loss on these deposits is remote.

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Custodial Credit Risk

The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Foundation, and are held by either: the counterparty or the counterparty's trust department or agent but not in the Foundation's name.

These securities registered in the Foundation's name are, according to industry standard, held in "book entry" format per our investment management agreements with individual financial institutions managing those assets.

The Foundation's investment policy states that custodial credit risk for deposits will be mitigated by limiting deposits to the amount insured by FDIC per banking institutions. Custodial credit risk for investments will be mitigated by prohibiting as investments those securities that are not eligible for depository trust company holdings.

Foreign Currency Risk

Foreign currency risk is the possibility that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect a deposit or investment's fair value. As of December 31, 2024, and 2023, the portfolio does not hold any foreign bonds. The Foundation's investment policy limits foreign investments to 15% of the Foundation's assets and prohibits against the use of non-Depository Trust company eligible securities.

4. PLEDGES RECEIVABLE

Pledges receivable consist of the following as of December 31, 2024, and 2023:

	2024		
	<u>< 1 year</u>	<u>1 - 5 years</u>	<u>> 5 years</u>
Pledges Receivable	\$ 279,766	\$ -	\$ -
Allowance for Doubtful Pledges	(256,600)	-	-
Unamortized Discount on Pledges	(1,103)	-	-
Pledges Receivable, net	<u>\$ 22,063</u>	<u>\$ -</u>	<u>\$ -</u>

	2023		
	<u>< 1 year</u>	<u>1 - 5 years</u>	<u>> 5 years</u>
Pledges Receivable	\$ 337,107	\$ 25,818	\$ -
Allowance for Doubtful Pledges	(247,975)	-	-
Unamortized Discount on Pledges	(4,244)	(2,400)	-
Pledges Receivable, net	<u>\$ 84,888</u>	<u>\$ 23,418</u>	<u>\$ -</u>

Pledges receivable are reflected at the present value of future cash flows using a discount rate of 5% for 2024 and 2023.

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NOTES TO FINANCIAL STATEMENTS

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5. *LONG TERM RECEIVABLES*

The Foundation received as a gift, a 50 percent interest in an approximately 8 year mortgage note valued in total \$234,924 in December 2010. In the fiscal year ended December 2013, the Board elected to write down the unamortized value of the note to \$1. The Board determined the value of the mortgage note was overstated, as there is no ready market in which to sell the note, and efforts to collect scheduled payments have met with little success. The unamortized balance of principal plus accrued interest on the note before write-down was \$120,719. Efforts to collect on the balance will be continued and subsequent payments have been received and recorded as current gifts.

6. *STATE MATCHING GRANTS RECEIVABLE*

The Foundation qualifies as a recipient of state matching funds under the Dr. Philip Benjamin Matching Program for Community Colleges. Under the grant agreement, the Foundation receives dollar-for-dollar matching funds from the State of Florida for all contributions that are restricted to financial aid and scholarships. All other contributions received are matched on a \$4 for \$6 basis. The primary use of these funds is to benefit future as well as students currently enrolled at the College and to improve the quality of education. The Foundation records these funds as either net position restricted – expendable or net position restricted – nonexpendable (permanent endowments) depending on the restriction of the contribution they are matching.

Donations of \$2,814,713 that were received and deposited by June 29, 2011, are eligible for \$2,588,604 of State matching funds for which the Foundation requested. The State Legislature has not appropriated funding for this program since 2007. Due to the significant backlog of unmatched gifts, the 2011 Legislature decided to enact a freeze on matching any new donations received on or after June 30, 2011, until at least \$200 million of the existing backlog has been paid down

Existing eligible donations remain eligible for future matching funds. New contributions received from February 2, 2022, to February 1, 2023, are \$448,342 and contributions received from February 2, 2023, to February 1, 2024, are \$2,012,093.

The Foundation is also eligible to receive a \$2 for \$1 match of private donations for the First-Generation Matching Grant Program which provides scholarships for students who are the first in their family to attend College. The Foundation received eligible private donations totaling \$26,397 as of December 1, 2024, which were eligible for a 2:1 match of \$52,794 from the State of Florida. As of December 31, 2024, \$26,397 is shown as State match receivable on the Statement of Net Position.

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7. **PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2024, and 2023 are shown below:

	2024	2023
Land	\$ -	\$ 232,569
Mineral Rights	1	1
Equipment	15,399	15,399
Tangible Property, not depreciated	56,293	56,293
Total	<u>71,693</u>	<u>304,262</u>
<i>less:</i> Accumulated Depreciation	<u>(14,206)</u>	<u>(13,410)</u>
Total Property and Equipment	<u><u>\$ 57,487</u></u>	<u><u>\$ 290,852</u></u>

In September 2024, donated land from the Snell family, that was held for investment purposes, was sold. The land had a recorded value of \$232,569 and was sold for \$350,000. Following the donor's instructions, the net proceeds of \$324,531 were deposited into their endowed scholarship fund.

Depreciation expense for the year ended December 31, 2024, and 2023 was \$796 each year.

8. **CONTINGENCY – UNPAID PROPERTY TAXES ON MINERAL RIGHTS**

The Foundation owns mineral rights which are considered held for investment purposes per the respective counties in which they are located. Therefore, these counties are assessing property taxes against the Foundation for these mineral rights.

The Foundation Board does not feel that the potential value of these mineral rights warrants the payment of the taxes assessed and has elected not to pay these taxes. If the taxes are not paid within one year of assessment, the counties have the authority to sell tax certificates using the mineral rights as collateral. If the taxes are not paid within three years of assessment, the respective counties may, at the option of the certificate holder, put the mineral rights up for auction. At that time the Foundation would be forced to either pay the taxes and accrued interest on the tax certificates or forfeit the ownership of the mineral rights.

In the fiscal year ended June 30, 1992, the Board elected to write down the value of the mineral rights to \$1. The Board felt that the balance before the write down overstated the value of the mineral rights to the Foundation, as there is no ready market in which to sell these rights and the attempts to sell these rights to the major parcel holders who own the related surface rights have met with little or no success. For these reasons, the Board has elected not to pay the assessed taxes and has elected to write down the recorded value so as not to overstate the potential value of the mineral rights for financial statement reporting purposes.

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9. UNDERWATER ENDOWMENTS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Uniform State Prudent Management of Institutional Funds Act (UPMIFA) requires the organization to retain as a fund of perpetual duration. Deficiencies of this nature exist in one donor-restricted endowment fund, with an original gift value of \$20,000, a current fair value of \$19,898 and a deficiency of \$102 as of December 31, 2024. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds were made.

10. NET POSITION RESTRICTED – NON-EXPENDABLE

Net Position restricted - nonexpendable consist of donor restricted endowments which can be spent as specified by the donor. The net position restricted - nonexpendable as of December 31, 2024, and 2023 are summarized as follows:

	2024	2023
Program support	\$ 8,376,160	\$ 8,373,963
Scholarships and grants to students	20,487,037	19,761,657
Foundation	70,719	70,719
Total	<u>\$ 28,933,916</u>	<u>\$ 28,206,339</u>

11. NET POSITION RESTRICTED – EXPENDABLE

Net position restricted – expendable on December 31, 2024 and 2023 were available for the following purposes:

	2024	2023
Program support	\$ 17,265,244	\$ 15,851,714
Scholarships and grants to students	23,221,721	20,403,988
Foundation	-	-
Total	<u>\$ 40,486,965</u>	<u>\$ 36,255,702</u>

12. RELATED PARTY TRANSACTIONS

The Foundation is related to the College by virtue of its primary purpose, which is to engage in activities to foster, promote and provide funds to or for the benefit of the College and its students. During the years ended December 31, 2024, and 2023, the Foundation provided scholarships and program expenses to the College in the amount of \$2,009,881 and \$2,239,123, respectively.

The College provided the office space and equipment for the Foundation to operate without charge. As these facilities are shared with the College, no objective basis is available to measure their value. It is management’s position that the value of these facilities is insignificant in relationship to the entity as a whole.

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The College also provided five FTE employees to operate the Foundation at an estimated cost of approximately \$578,773 and \$518,852 for the years ending December 31, 2024, and 2023, respectively. The Foundation provided the funding for 2.5 FTE employees.

13. IN-KIND CONTRIBUTIONS

In-kind contributions are included in contributions in the Statement of Revenues, Expenses, and Change in Net Position. In accordance with Statement of Financial Accounting Standard No. 116, the Foundation recognizes the fair value of contributed services received if such services:

- a) Create or enhance nonfinancial assets or
- b) Require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

The majority of in-kind contributions are from the College in the form of personnel services. The College provided five FTE employees to operate the Foundation at a value of \$578,773 and \$518,852 in 2024 and 2023, respectively.

14. FUTURE PROMISES TO GIVE

The Foundation received endowed agreements for promises to give from donors in which the Foundation is to receive moneys with the passage of time. In accordance with GASB Statement 33 – Accounting for Financial Reporting for Non-exchange Transactions, the Foundation has not recorded a receivable for these bequests in its financial statements. In accordance with this Statement, the Foundation recognizes revenue from these bequests when the funds are received. As of December 31, 2024, \$2,550 of these unrecognized bequests are outstanding.

15. OVERSIGHT BY PASCO-HERNANDO STATE COLLEGE

As a direct support organization, the Foundation follows the policies and procedures of the College. All contributions made to the Foundation ultimately support the College. Therefore, for reporting purposes, the Foundation is classified as a governmental not-for-profit organization under the standards set by GASB (Governmental Accounting Standards Board) and is reported as a component unit of the College.

16. LEGAL MATTERS

During its regular operations, the Foundation sometimes becomes involved in legal actions and proceedings. Management believes that the final outcomes of these legal matters will not significantly impact the financial statements.

**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***

Independent Auditor's Report

To the Board of Directors
Pasco-Hernando State College Foundation, Inc.
New Port Richey, 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 the Pasco-Hernando State College Foundation, Inc. ("Foundation"), a component unit of the Pasco-Hernando State College, as of and for the years ended December 31, 2024, and 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 April 21, 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 opinions 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 were not 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 compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive style.

April 21, 2025
Tampa, Florida