PALM BEACH STATE COLLEGE FOUNDATION, INC. (A COMPONENT UNIT OF PALM BEACH STATE COLLEGE)

FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024
(With Independent Auditor's Report Thereon)

PALM BEACH STATE COLLEGE FOUNDATION, INC.

DoerenMayhew ASSURANCE

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DoerenMayhew
ASSURANCE

INDEPENDENT AUDITOR'S REPORT

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

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 year ended December 31, 2025, 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, 2025, and the respective changes in financial position, and the cash flows thereof for the year 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.

Basis for Opinions Other Matters

The financial statements of Palm Beach State College Foundation for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on May 13, 2025.

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.

"Doeren Mayhew" is the brand name under which Doeren Mayhew Assurance and Doeren Mayhew Advisors, LLC and its subsidiary entities provide professional services. Doeren Mayhew Assurance and Doeren Mayhew Advisors, LLC (and its subsidiary entities) practice as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations and professional standards. Doeren Mayhew Assurance is a licensed independent CPA firm that provides attest services to its clients, and Doeren Mayhew Advisors, LLC and its subsidiary entities provide tax and business consulting services to their clients. Doeren Mayhew Advisors, LLC and its subsidiary entities are not licensed CPA firms.

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 auding 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 inquires, 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 6, 2026 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.

Doeren Mayhew Assurance

Melbourne, Florida
May 6, 2026

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2025 and 2024

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, 2025 and 2024. The presentation of 2023 financial information is included for financial analysis and comparison to the 2024 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.

Summarized Statements of Net Position (in thousands)

	2025	2024	2023
Current assets	$ 37,198	$ 31,747	$ 29,367
Noncurrent assets	29,221	30,282	23,245
Total assets	66,419	62,029	52,612
Current liabilities	446	507	485
Noncurrent liabilities	398	354	418
Total liabilities	844	861	903
Restricted			
Permanent endowments	23,155	22,951	22,628
Student assistance and college programs	37,731	32,396	23,398
Unrestricted	4,689	5,821	5,683
Total net position	65,575	61,168	51,709
Total liabilities and net position	$ 66,419	$ 62,029	$ 52,612

Foundation Assets

The total assets of the Foundation as of December 31, 2025, were $66.4 million. This reflected an increase of $4.4 million from the previous year of $62.0 million. In 2024, total assets increased by $9.4 million from $52.6 million in 2023. These increases were driven primarily by higher pledge activity and improved investment market performance, including realized and unrealized gains.

Liabilities

As of December 31, 2025, the liabilities amounted to $844 thousand, which includes $458 thousand for 2 annuity contracts. The annuity liabilities for the contract as of 2024 were $412 thousand. Accounts payable and accrued expenses, including related party accounts payable, was $386 thousand in 2025 and $450 thousand in 2024. The higher accounts payable balance in 2024 was primarily attributable to campus improvement costs.

Net Position

The Foundation's components of the net position for the fiscal years ended December 31, 2025, 2024 and 2023 are shown in the following table (in thousands):

	2025	2024	2023
Permanently restricted	$ 23,155	$ 22,951	$ 22,628
Temporarily restricted	37,731	32,396	23,398
Unrestricted	4,689	5,821	5,683
Total net position	$ 65,575	$ 61,168	$ 51,709

The primary reason for the increase of $4.4 million in total net position from 2024 to 2025 is due to the increased investments unrealized gains. 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.

Operating Results

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

	2025	2024	2023
Operating revenues (expenses)			
Total operating revenue	$ 5,989	$ 12,031	$ 6,088
Total operating expenses	(9,291)	(8,719)	(14,636)
Income (loss) from operations	(3,302)	3,312	(8,548)
Nonoperating revenues			
Contributions to endowments	204	214	146
Net realized and unrealized gains on investments	6,152	4,725	5,567
Interest and dividend income	1,353	1,208	1,314
Total nonoperating revenues	7,709	6,147	7,027
Change in net position	4,407	9,459	(1,521)
Net position, beginning of the year	61,168	51,709	53,230
Net position, end of the year	$ 65,575	$ 61,168	$ 51,709

Revenues

The following table compares the revenues earned by the Foundation in 2025, 2024 and 2023, by category.

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

	2025	2024	2023
Contributions, gifts, and other revenues	$ 4,483	$ 10,474	$ 4,746
Donated services	1,460	1,473	1,108
Grants and matching funds	192	194	249
Special events income	58	105	131
Investment Income (loss)	7,505	5,932	6,881
Total revenue	$ 13,698	$ 18,178	$ 13,115

The total revenue for 2025 represents a significant decrease of $4.5 million from the 2024 revenue. This decline was primarily attributable to a $6 million decrease in contributions, reflecting a one-time contribution received in 2024, offset by an increase in investment income in 2025. Total revenue for 2024 increased by $5.0 million compared with 2023, primarily due to a $5.7 million increase in contributions, driven largely by the one-time contribution received in 2024, partially offset by lower investment income. The Foundation received state allocations under the First Generation in College Matching Grant for the years ended December 31, 2025, 2024, and 2023 in the amount of $192,474, $194,146, and $188,420, respectively. These state allocations are included as part of the grants and matching funds totals for 2025, 2024, and 2023 above. The remaining balance in the grants and matching funds section is grants and contracts revenue from the federal government.

Expenses

Total expenses for 2025 increased primarily due to higher scholarship expense compared with the prior year, reflecting an increase in scholarships awarded by the Foundation. Fundraising expenses remained relatively consistent from 2024 to 2025 and from 2023 to 2024. Management expenses increased from 2024 to 2025 due to higher professional services and consultant fees.

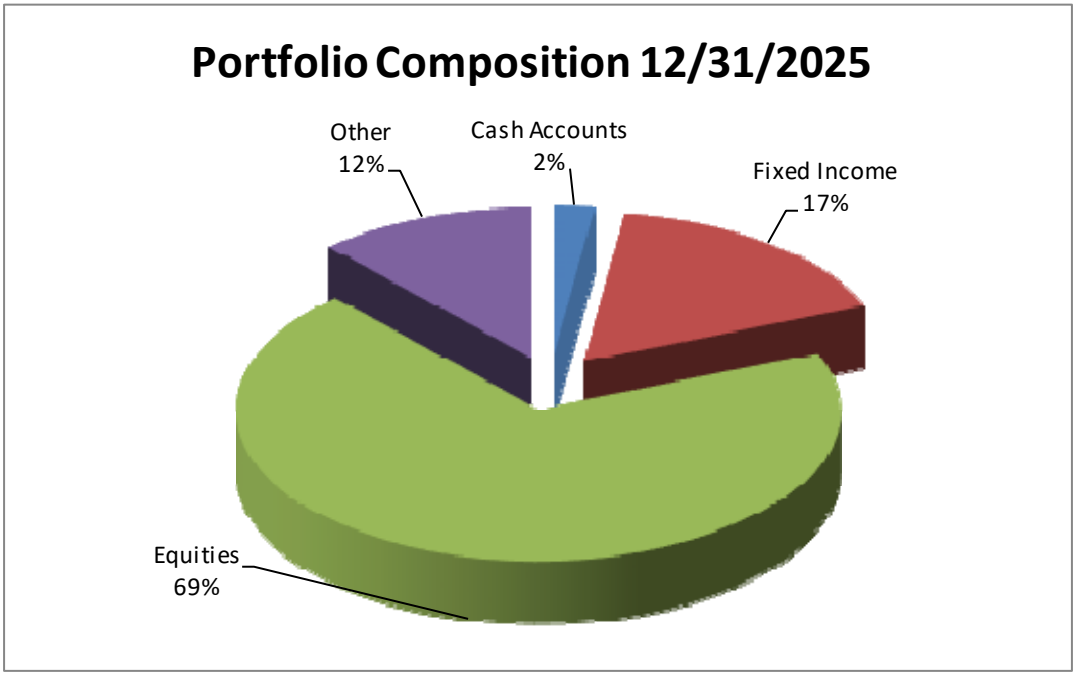
Expenses for the Years Ended December 31,
(in thousands)

	2025	2024	2023
Support of College Programs	$ 5,390	$ 5,242	$ 10,649
Scholarships	1,944	1,621	2,060
Fundraising	873	939	948
Management	1,084	917	979
Total expenses	$ 9,291	$ 8,719	$ 14,636

Investments Performance

The return on investments with Merrill Lynch was 12% for the years ended December 31, 2025 and 2024, compared with 13% for the year ended December 31, 2023.

The total value of this portfolio including cash as of December 31, 2025 was $55.3 million ($51.2 million as of December 31, 2024). The graphic below presents the composition of the portfolio as of December 31, 2025.



Outlook 2025-26

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.

Outlook 2025-26 (continued)

Fundraising Outlook:

As the Foundation wraps up the 2025–2026 fiscal year, we do so having achieved 77% completion of our $100 million comprehensive campaign, demonstrating sustained philanthropic growth and strong donor confidence. The momentum established over the past several years positions us well for continued advancement, and the year ahead will focus on strengthening the organizational capacity required to achieve—and exceed—our long term goals.

To sustain progress and elevate the Foundation's performance to the level of a world class fundraising foundation, the year's priorities include the following strategic initiatives:

1. **Reorganizing Roles and Responsibilities to Align with a World Class Foundation Model.**

   To ensure operational excellence and long-term scalability, the Foundation will undertake a strategic restructuring of staff roles, departmental functions, and workflow processes. This reorganization aims to:

   •Clarify responsibilities, ensuring each team member is positioned for success with clearly defined goals and measurable outcomes.

   •Enhance specialization across development functions, including major gifts, principal gifts, annual giving, donor relations, and alumni engagement.

   •Strengthen internal collaboration, aligning fundraising, stewardship, finance, and programmatic support so the Foundation operates as a unified, high-performing team.

   •Support leadership transition and continuity, ensuring that institutional knowledge, donor relationships, and campaign strategies remain seamless and effective.

   This structural alignment will better support the comprehensive campaign, deepen donor engagement, and advance the Foundation's vision of becoming a nationally recognized philanthropic organization.

2. **Implement and Sustain Core Advancement Programs**

   A major emphasis for 2025 - 2026 will be the implementation and long term sustainability of three cornerstone fundraising programs critical to the Foundation's future success:

   a) **Donor Stewardship Program**

      A comprehensive stewardship program will be developed to strengthen relationships with donors at all giving levels. Key components include personalized recognition, impact reporting, stewardship events, and consistent communication touchpoints. This program ensures that donors remain informed, valued, and inspired to continue investing in Palm Beach State College ("PBSC").

Outlook 2025-26 (continued)

Fundraising Outlook (continued):

2. Implement and Sustain Core Advancement Programs (continued)

b) Planned Giving Program

To foster long-term financial stability and grow the endowment, the Foundation will formally launch and steward a planned giving program focused on legacy gifts, estate planning partnerships, donor education, and targeted cultivation strategies. This initiative will build a robust pipeline of future support and deepen relationships with donors who wish to make transformational commitments.

c) Program Sustainability Measures

Both programs will be supported through policies, staff training, digital infrastructure, and data management systems that ensure continuity, scalability, and long-term impact.

3. Expansion of the Annual Giving and Alumni Engagement Program

Building a stronger base of annual donors and engaging PBSC's more than 160,000 alumni is essential for broadening philanthropic participation. The expanded program will:

•Increase alumni outreach through events, networking opportunities, and communication campaigns.

•Develop segmented annual giving strategies, including digital campaigns, direct mail, giving days, and recurring gift programs.

•Strengthen the alumni pipeline for future major and planned gifts.

•Foster a culture of philanthropy across graduates, faculty, staff, and community partners.

By cultivating lifelong engagement and emphasizing participation-based philanthropy, the Foundation can build a wider and more diverse donor base that supports immediate needs and future priorities.

Looking Ahead

With 77% of the campaign completed and a clear set of strategic priorities, the Foundation is positioned for another year of strong performance. The ongoing investments in organizational capacity, donor stewardship, planned giving, and alumni engagement will ensure sustainable growth and help drive the Foundation towards its vision of excellence— ultimately transforming opportunities for Palm Beach State College students, faculty, and programs.

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

STATEMENTS OF NET POSITION

December 31,

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,607,836	$ 2,722,412
Contributions receivable	307,474	287,107
Accrued interest receivable	72,193	67,513
Pledges receivable, net	2,144,574	1,092,690
Investments	32,065,770	27,539,322
Prepaid items	-	37,973
Total current assets	37,197,847	31,747,017
NONCURRENT ASSETS		
Investments	23,154,986	22,951,302
Pledges receivable, net	6,066,225	7,330,781
Total noncurrent assets	29,221,211	30,282,083
TOTAL ASSETS	66,419,058	62,029,100
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	231,650	404,581
Related party accounts payable	154,171	45,154
Annuities payable	60,528	57,000
Total current liabilities	446,349	506,735
NONCURRENT LIABILITIES		
Annuities payable, net	397,867	354,536
TOTAL LIABILITIES	844,216	861,271
NET POSITION		
Restricted donor specified:		
Permanent endowments	23,154,986	22,951,302
Student assistance and college programs	37,730,648	32,396,243
Unrestricted	4,689,208	5,820,284
TOTAL NET POSITION	$ 65,574,842	$ 61,167,829

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,

	2025	2024
OPERATING REVENUES		
Contributions and gifts	$ 4,236,004	$ 10,256,977
Grants and matching funds	192,474	194,146
Donated services	1,459,665	1,473,386
Special events income	58,350	103,583
Other revenues	42,928	2,765
Total operating revenues	5,989,421	12,030,857
OPERATING EXPENSES		
Support of college programs	5,390,190	5,242,404
Scholarships	1,943,710	1,621,149
Management and general	1,084,232	915,735
Fundraising	872,948	939,268
Total operating expenses	9,291,080	8,718,556
OPERATING INCOME (LOSS)	(3,301,659)	3,312,301
NONOPERATING REVENUES		
Contributions to endowments	203,685	214,054
Net realized and unrealized gains on investments	6,151,935	4,724,697
Interest and dividend income	1,353,052	1,207,746
Total nonoperating revenues	7,708,672	6,146,497
CHANGE IN NET POSITION	4,407,013	9,458,798
Net position, beginning of the year	61,167,829	51,709,031
NET POSITION, END OF THE YEAR	$ 65,574,842	$ 61,167,829

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,

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	$ 4,475,169	$ 5,446,087
Other revenue received	1,560,943	1,579,734
Federal and state grants received	192,474	194,146
Payments to the college for scholarships	(1,943,710)	(1,621,149)
Payments to support college programs	(5,415,756)	(5,230,688)
Payments to suppliers	(1,084,608)	(936,134)
Payments for fundraising	(872,948)	(939,268)
Net cash used in operating activities	(3,088,436)	(1,507,272)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Restricted contributions received	203,685	214,054
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	1,348,373	1,196,413
Proceeds from sales and maturities of investments	22,371,588	21,654,143
Purchase of investments	(20,949,786)	(20,949,786)
Net cash provided by investing activities	2,770,175	1,900,770
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(114,576)	607,552
Cash and cash equivalents, beginning of the year	2,722,412	2,114,860
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 2,607,836	$ 2,722,412
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH FLOWS USED IN OPERATING ACTIVITIES		
Operating income (loss)	$ (3,301,659)	$ 3,312,301
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	(20,367)	105,358
Pledges receivable, net	212,672	(3,214,792)
Prepaid items	37,973	(37,973)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(63,914)	29,290
Annuities payable	46,859	(71,337)
Net cash used in operating activities	$ (3,088,436)	$ (1,507,272)

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

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2025 and 2024

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.

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 2025 and 2024, the Foundation had no allowance for pledges receivable based on prior experience with similar types of receivables.

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 net asset values (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.

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	2025	2024
Debt securities (Level 1)		
U.S. guaranteed obligations	$ 4,510,730	$ 4,275,535
Corporate bonds	3,040,749	3,161,170
Total debt securities	7,551,479	7,436,705
Equity securities (Level 1)		
Domestic stocks	21,827,719	19,869,859
International stocks	6,076,940	4,747,087
Total equity securities	27,904,659	24,616,946
Alternative Investments (Level 2)		
Mutual funds	18,086,223	16,830,674
Real estate investments	1,678,396	1,606,299
Total Alternative Investments	19,764,619	18,436,973
Total investments measured at Fair Market Value	55,220,757	50,490,624
Cash and cash equivalents	2,607,836	2,722,412
Total investments and deposits	$ 57,828,593	$ 53,213,036

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 2025 and 2024.

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, 2025 and 2024, donated services were $1,459,665 and $1,473,386, 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, 2025 and 2024 was $430,306 and $209,004, 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.

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, 2025 and 2024, respectively.

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

	2025	2024
Unconditional promises receivable (pledges)		
before unamortized discount	$ 9,111,000	$ 9,787,000
Less unamortized discount	(900,201)	(1,363,529)
Total	$ 8,210,799	$ 8,423,471
Pledges are due to be collected as follows:		
Less than or equal to one year	$ 2,144,574	$ 1,092,690
More than one year	6,066,225	7,330,781
Total	$ 8,210,799	$ 8,423,471

NOTE C - DEPOSITS AND INVESTMENTS

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

	Credit quality	2025	2024
Cash and cash equivalents	Not rated	$ 2,607,836	$ 2,722,412
Corporate bonds	AAA/BBB	3,040,749	3,161,170
U.S. Government notes	N/A	4,510,730	4,275,535
Mutual funds	N/A	18,086,223	16,830,674
Equity securities	N/A	27,904,659	24,616,946
Real estate investments	N/A	1,678,396	1,606,299
		$ 57,828,593	$ 53,213,036

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

		Investment maturities (in years)			
	Fair value	Less than 1	1 - 5	6 - 10	Thereafter
Corporate bonds	$ 3,040,749	$ 455,200	$ 936,247	$ 899,149	$ 750,153
U.S. Government notes	$ 4,510,730	$ 675,256	$ 1,388,854	$ 1,333,823	$ 1,112,797

NOTE C - DEPOSITS AND INVESTMENTS (continued)

As presented on the Statement of Net Position:

	2025	2024
Cash and cash equivalents	$ 2,607,836	$ 2,722,412
Current investments	32,065,771	27,539,322
Noncurrent investments	23,154,986	22,951,302
	$ 57,828,593	$ 53,213,036

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, 2025, 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, 2025, 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, 2025, 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, 2025, no single security represented more than 5% of the total portfolio value invested in any individual account managed by MLTC.

NOTE D - ANNUITY PAYABLE

The Foundation is party to two charitable gift annuity agreements as of December 31, 2025. 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, 2025, the investment balance for the total of the 2 annuities was $1,078,114 and as of December 31, 2024, the total of the 1 annuity was $968,254, which is presented with the other Foundation investments based on the applicable investment type. As of December 31, 2025 and 2024, the annuity payable is $458,395 and $411,536, 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 2025 and 2024. The Foundation's general spending was calculated within the policy guidelines.

NOTE E - ENDOWMENTS (continued)

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

	2025	2024
Total endowment balance	$ 43,763,334	$ 39,055,045
Less amounts restricted for student assistance and college programs	20,608,348	16,103,743
Restricted for permanent endowments	$ 23,154,986	$ 22,951,302

All assets of the Foundation are considered restricted for college support. For 2025, the amount restricted for student assistance and college programs, totals $37,730,648, which is made up of temporarily restricted endowments of $20,608,348 and temporarily restricted amounts related to non-endowment contributions of $17,122,300. For 2024, the amount restricted for student assistance and college programs totals $32,396,243 which is made up of temporarily restricted endowments of $16,103,743 and temporarily restricted amounts related to non-endowment contributions of $16,292,500.

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, 2025 and 2024, the Foundation's First Generation in College Matching Grant funds is $192,474 and $194,146, 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 2025. Settled claims resulting from the risks described above have not exceeded the insurance coverage for each of the prior three years.

NOTE H - COMMITMENTS AND CONTINGENCIES

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

NOTE I - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through 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.

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, 2025, 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 6, 2026.

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.

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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.

Doeren Mayhew Assurance

Melbourne, Florida
May 6, 2026