

**THE EDUCATION FOUNDATION OF
PALM BEACH COUNTY, INC.
(A NON-PROFIT ORGANIZATION)**

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.

Table of Contents

	<u>Page</u>
Independent auditor's report	1–2
Financial statements:	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7–18

Independent Auditor's Report

To the Board of Directors of
The Education Foundation of Palm Beach County, Inc.
Boynton Beach, Florida

Opinion

We have audited the accompanying financial statements of The Education Foundation of Palm Beach County, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Emphasis of Matter – Correction of Misstatements

The financial statements of the Foundation for the year ended June 30, 2023, were audited by other auditors whose report dated June 27, 2024, expressed an unmodified opinion on those statements. As discussed in Note 16 to the financial statements, the net assets as of June 30, 2023, have been restated to correct certain misstatements. Our opinion is not modified with respect to this matter.

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 within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

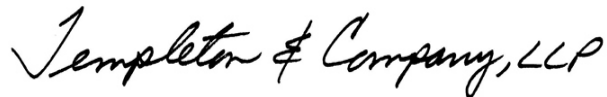
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 generally accepted 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 Education Foundation of Palm Beach County, Inc.'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 Education Foundation of Palm Beach County, Inc.'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.

A handwritten signature in black ink that reads "Templeton & Company, LLP". The signature is written in a cursive, flowing style.

West Palm Beach, Florida
February 21, 2025

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2024

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,758,295
Restricted cash	2,032,458
Grants receivable	350,233
Current portion contributions receivable	1,900,000
Supplies inventory	576,194
Investments	<u>1,605,285</u>

Total current assets 8,222,465

Investments - non-current	905,132
Beneficial interest in assets held by Community Foundation	38,087
Contributions receivable, net of current portion	391,275
Property and equipment, net	<u>14,336,671</u>
Total assets	<u>\$ 23,893,630</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and other accrued expenses	\$ 515,361
Construction costs and retainage payable	1,589,367
Pass-through funds payable - current	<u>298,310</u>
Total current liabilities	2,403,038

Pass-through funds payable, net of current	<u>483,245</u>
Total liabilities	<u>2,886,283</u>

Net assets:

Without donor restrictions	11,085,167
With donor restrictions	<u>9,922,180</u>
Total net assets	<u>21,007,347</u>
Total liabilities and net assets	<u>\$ 23,893,630</u>

See accompanying notes to financial statements.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and private grants	\$ 962,982	\$ 7,757,366	\$ 8,720,348
Federal, state and local grants	1,170,624	-	1,170,624
In-kind contributions - school supplies	1,312,727	-	1,312,727
In-kind contributions - facilities	32,800	264,644	297,444
Net investment return	151,608	3,035	154,643
Other income	13,989	-	13,989
Net assets released from restrictions	9,955,294	(9,955,294)	-
Total support and revenue	13,600,024	(1,930,249)	11,669,775
Expenses:			
Program services:			
Career Education	437,478	-	437,478
Go Teach	152,149	-	152,149
Total Literacy	50,011	-	50,011
Academic Improvement/ AVID	108,455	-	108,455
Red Apple Store	2,374,850	-	2,374,850
Other programs	1,045,875	-	1,045,875
Total program services	4,168,818	-	4,168,818
Supporting services:			
Management and general	213,874	-	213,874
Development	565,431	-	565,431
Total expenses	4,948,123	-	4,948,123
Change in net assets	8,651,901	(1,930,249)	6,721,652
Net assets - beginning of year, as restated	2,433,266	11,852,429	14,285,695
Net assets - end of year	\$ 11,085,167	\$ 9,922,180	\$ 21,007,347

See accompanying notes to financial statements.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2024

	Program Services							Management and general	Development	Total
	Career Education	Go Teach	Total Literacy	Academic Improvement	Red Apple Store	Other programs	Total Program Services			
Payroll wages	\$ -	\$ -	\$ -	\$ 55,213	\$ 311,984	\$ 323,616	\$ 690,813	\$ 72,987	\$ 297,584	\$ 1,061,384
Contract labor	112,823	7,800	3,855	29,660	-	427,263	581,401	-	-	581,401
School supplies	183,487	7,265	46,156	8,087	1,260,095	10,203	1,515,293	-	-	1,515,293
Program management	5,636	128,057	-	3,631	-	2,267	139,591	41,038	-	180,629
Grants and awards	18,689	-	-	4,211	4,349	25,300	52,549	-	39,815	92,364
Professional fees	2,000	-	-	-	-	-	2,000	62,830	72,021	136,851
Program supplies	89,627	9,027	-	7,653	587,007	47,815	741,129	-	5,937	747,066
Banquets	-	-	-	-	-	-	-	-	83,103	83,103
Conferences and training	5,216	-	-	-	1,669	4,434	11,319	2,252	7,462	21,033
Program equipment	20,000	-	-	-	-	-	20,000	-	-	20,000
Other expenses	-	-	-	-	1,685	-	1,685	4,032	-	5,717
Insurance	-	-	-	-	8,328	-	8,328	11,716	1,027	21,071
Membership dues	-	-	-	-	-	-	-	3,923	12,119	16,042
Printing, postage and supplies	-	-	-	-	5,816	-	5,816	8,452	15,400	29,668
Occupancy	-	-	-	-	182,428	203,623	386,051	6,644	6,643	399,338
Scholarships and events	-	-	-	-	-	-	-	-	21,820	21,820
Marketing	-	-	-	-	-	1,354	1,354	-	2,500	3,854
Subtotal	437,478	152,149	50,011	108,455	2,363,361	1,045,875	4,157,329	213,874	565,431	4,936,634
Depreciation	-	-	-	-	11,489	-	11,489	-	-	11,489
Total expenses	<u>\$ 437,478</u>	<u>\$ 152,149</u>	<u>\$ 50,011</u>	<u>\$ 108,455</u>	<u>\$ 2,374,850</u>	<u>\$ 1,045,875</u>	<u>\$ 4,168,818</u>	<u>\$ 213,874</u>	<u>\$ 565,431</u>	<u>\$ 4,948,123</u>

See accompanying notes to financial statements.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ 6,721,652
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,513
Net unrealized and realized (gains) on investments	(65,860)
Contributions received restricted for long-term purposes	(5,250,000)
Amortization of in-kind rent	363,480
Adjustment to present value discount	(264,444)
Change in value of beneficial interest in assets held by others	(3,035)
Changes in operating assets and liabilities:	
Supplies inventory	(52,632)
Grants receivable	(348,952)
Contributions receivable	(399,355)
Accounts payable and other accrued expenses	402,283
Pass-through funds payable	<u>(467,826)</u>
Net cash provided by operating activities	<u>646,824</u>
Cash flows from investing activities:	
Purchases of property and equipment	(7,367,869)
Purchases of investments	(3,221,329)
Proceeds from sale of investments	<u>2,557,585</u>
Net cash used in investing activities	<u>(8,031,613)</u>
Cash flows from financing activities:	
Contributions received restricted for long-term purposes	<u>5,250,000</u>
Net cash provided by financing activities	<u>5,250,000</u>
Net decrease in cash and cash equivalents	(2,134,789)
Cash and cash equivalents and restricted cash, beginning of year	<u>5,925,542</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 3,790,753</u>
Supplemental cash flow information:	
Construction costs and retainage payable at year end	<u>\$ 1,589,367</u>

See accompanying notes to financial statements.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Operations

The Education Foundation of Palm Beach County, Inc. (the Foundation) is a nonprofit corporation established in 1984 by Palm Beach County business leaders to serve as the philanthropic support Foundation for K-12 public education. The Foundation partners closely with the School District of Palm Beach County (the "District") and the greater business and charitable community to fund programs that close achievement gaps in learning and create positive, measurable change for students. Through a unique matching grant program, the Foundation works with corporate and private investors to fund innovative projects and curriculum that improve literacy and grade-level performance, increase graduation rates, support STEM and career academies, target support to low-performing students and schools, and provide disadvantaged students with free school supplies throughout the year. The Foundation fosters excellence in teaching and leadership by funding direct classroom grants, recognizing educators who excel, and providing quality professional development.

Note 2 – Summary of Significant Accounting Policies

A summary of significant accounting policies used by the Foundation in preparing its financial statements follows:

Basis of presentation

The Foundation's financial statements are prepared on the accrual basis of accounting in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) FASB ASC 958, *Not-for-Profit Entities*.

Accounting principles generally accepted in the United States of America (U.S. GAAP) require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and are available for the support of the Foundation's operations. These net assets may be used at the discretion of the Foundation's management and the Board of Directors. The only limits on the use of these net assets are the broad limits resulting from the nature of the entity, the environment in which it operates, the purpose specified in the corporate documents and its application for tax-exempt status, and any limits resulting from contractual arrangements with creditors or others that are entered into in the course of operations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. The Foundation's unspent contributions are included in this class if the donor limited their use, as are its donor-imposed endowment funds. When a donor's restriction is satisfied either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets with donor restrictions to net assets without donor restrictions.

Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed or contractual restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by contract.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies, Continued

Basis of presentation, continued

The expiration of temporary donor-imposed or contractual restrictions on net assets is reported as a reclassification to net assets without donor restrictions in the period in which the restriction expires. A restriction expires when the stipulated time period has elapsed and/or the stipulated purpose has been fulfilled.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities 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.

Cash and cash equivalents

Cash and cash equivalents include demand deposit accounts, restricted cash deposit accounts, money market accounts and other highly liquid investments with an original maturity of three months or less. The Foundation considers such investments to be cash and cash equivalents unless the investments are held for meeting restrictions for purposes of pass-through contributions, property and equipment acquisition, or endowment.

Restricted cash

The Foundation's restricted cash accounts consist of amounts being held on behalf of students awarded various scholarships to be paid at a future date and amounts held for the construction of a sports and education complex. A reconciliation of cash, cash equivalents and restricted cash at June 30, 2024 follows:

Cash and cash equivalents	\$ 1,758,295
Restricted cash	<u>2,032,458</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 3,790,753</u>

Inventory

Inventory consists of school supplies held for distribution at the Red Apple Supply Store. Donated items are valued at their estimated fair value. Purchased items are recorded at the lower of cost or net realizable value.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. The Foundation reports its investments at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Investments are exposed to various risks such as interest rate risk, market risk, economic risk, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near-term.

Cash and securities maintained through registered securities dealers are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC). The SIPC does not protect against market losses or investment return. Balances in accounts held may at times exceed SIPC limits. The Foundation has not incurred any losses in these investment accounts, outside normal trading activities, and does not believe that they are exposed to significant credit risk.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies, Continued

Contributions

Contributions received are recorded as net assets with or without donor restrictions depending on the absence or existence and nature of any donor restrictions. Unconditional contributions (unconditional promises to give) are recognized in the period received. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional contributions, that is those with a measurable performance or other barrier and right of return, are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional. Payments received before conditions are substantially met are recorded as deferred revenue in the accompanying statement of financial position.

Grant revenue

The Foundation receives various grants from federal, state, and local agencies, as well as private foundations for program and supporting service expenses. These grants are generally on a cost reimbursement basis, including recoverable overhead. Revenue from grants is deemed earned and recognized in the statement of activities when expenditures are made for the purposes specified. Grant funds that have been received but have not yet been expended for the purposes specified are reported as deferred revenue.

Contributions receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected beyond one year are discounted to their net present value by applying an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based on management's judgment of potential defaults and historical experience.

Contributed non-financial assets (In-kind contributions)

Donations of goods used by the Foundation are recorded as contributions and as assets or expenses based on similar wholesale values to measure the value of such items. Donated school supplies for the Red Apple Store are recognized when they are received since the Foundation's sole intention to use such donated school supplies for use in its programs. The Foundation expenses the school supply inventory when they are distributed to recipients since that is when the goods will be used in programs. The value of these donated school supplies is estimated using publicly available purchase prices for items of similar condition.

Contributed nonfinancial assets include donated school supplies and facility rent related to its warehouse, office space and land, which are recorded at the respective fair values of the goods received on the date the contribution is made.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies, Continued

Contributed non-financial assets (In-kind contributions), continued

Donated services are recorded as contributions upon performance of service if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals or organizations possessing these skills, and would typically need to be purchased if not provided by these donations. A substantial number of volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

Grants receivable

Grants receivable represent amounts owed to the Foundation from state and local grants for services rendered under contractual obligations and grants, corporations and foundations. Certain grants are payable upon the submission of specified documentation. All outstanding grants receivable are expected to be collected within one year and are considered collectible.

Property and equipment

Property and equipment additions are recorded at cost, or if a contribution, at fair value on the date of contribution. The Foundation capitalizes assets greater than \$1,000 at acquisition. Depreciation is computed using the straight-line method over the estimated useful lives for the furniture, fixtures and equipment which range from 3 to 5 years and land and facilities under lease are amortized over the term of the related lease. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Income taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Management analyzes tax positions in jurisdictions where it is required to file income tax returns. Based on its evaluation, management did not identify any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease. Interest and penalties attributable to income taxes, if any, are included in operating expenses. No such interest or penalties were recorded for the year ended June 30, 2024. The Foundation's tax returns are no longer subject to examination for years prior to 2021.

Beneficial interest in assets held by others

Beneficial interest in assets held by others is recorded at fair value. Interest income and market value changes on the beneficial interest are recorded in the Foundation's statement of activities.

Concentrations of credit risk

Financial instruments which potentially subject the Foundation to a concentration of credit risk include the Foundation's amounts on deposit in checking, money market, restricted and sweep accounts with financial institutions. The Foundation maintains its accounts with high credit quality financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). Such balances may exceed the FDIC federally insured limits. The Foundation's uninsured balances as of June 30, 2024 approximated \$2,892,000. The Foundation has not experienced any losses in such accounts.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies, Continued

Fair value disclosures

Financial instruments include cash and cash equivalents, restricted cash, grants receivable, accounts payable and other accrued expenses and pass-through funds payable, and are stated at carrying value at year-end, which approximates their fair values due to the short-term nature of these instruments.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

Note 3 – Availability of Resources and Liquidity

The following represents financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024:

Financial assets:	
Cash and cash equivalents	\$ 1,758,295
Grants receivable	350,233
Current portion of contributions receivable	1,900,000
Investments	<u>1,605,285</u>
Total financial assets	5,613,813
Less: net assets with donor restrictions to be released within one year	<u>(3,450,000)</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,163,813</u>

As part of the Foundation's liquidity management, the Foundation invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Foundation has a board-designated quasi-endowment of approximately \$500,000 available as of June 30, 2024.

Note 4 – Investments

Investments are recorded at fair value and consist of the following at June 30, 2024:

Money market funds	\$ 1,587,312
U.S. Treasury bills	597,369
Mutual funds	<u>325,736</u>
Total investments	<u>\$ 2,510,417</u>

Investments classified as non-current in the statement of financial position consist of investments designated for long-term donor and board designated purposes. U.S. treasury bills have various contractual maturities through October 2024.

The following schedule summarizes the net investment return on the Foundation's investments for the year ended June 30, 2024:

	With donor restrictions	Without donor restrictions	Total
Dividends and interest	\$ -	\$ 85,748	\$ 85,748
Realized and unrealized gains, net	<u>3,035</u>	<u>65,860</u>	<u>68,895</u>
Net investment return	<u>\$ 3,035</u>	<u>\$ 151,608</u>	<u>\$ 154,643</u>

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 5 – Contributions Receivable, Net

Contributions receivable consist of the following at June 30, 2024:

Capital campaign pledges	\$ 2,400,000
Less: unamortized discount	<u>(108,725)</u>
Contributions receivable, net	<u>\$ 2,291,275</u>
Amounts due in:	
Less than one year	\$ 1,900,000
One to five years	<u>500,000</u>
	<u>\$ 2,400,000</u>

At June 30, 2024, approximately 58% of total unconditional promises to give were from two donors.

The Foundation applies a discount rate of 4.77% as June 30, 2024, to all contributions receivable with terms in excess of one year. The allowance for doubtful collections is estimated and adjusted based upon management's assessment of current economic conditions that would affect the adequacy of the allowance. Management determined that no allowance for doubtful collections was necessary as of June 30, 2024.

Note 6 – Property and Equipment

Property and equipment is summarized as follows at June 30, 2024:

Furniture, fixtures, and equipment	\$ 191,051
Land under lease, net	5,275,339
Facilities under lease, net	<u>636,424</u>
Subtotal	6,102,814
Less: accumulated depreciation	<u>(1,120,927)</u>
Operating property and equipment, net	4,981,887
Construction in progress	<u>9,354,784</u>
Property and equipment, net	<u>\$ 14,336,671</u>

Total depreciation expense for the year ended June 30, 2024 amounted to \$11,513.

Construction in progress consists of a sports and education complex on land leased by the School District under a 75-year lease with a 25-year renewal option. The Foundation classifies the cost for the construction project and future sports and education complex as part of its property and equipment. Completion of the construction project is expected during its fiscal year ending in 2025.

Prior to 2023, the Foundation entered into long-term leases with the District to facilitate the a) the utilization of certain office space for the Foundation's administrative, executive, and development staff, b) provide land for the use and construction of the Foundation's sports and education complex, and c) the utilization of certain District facilities for the collection, storage and assembly of school supplies as part of the Foundation's Red Apple Store program. The net present value of the land under lease and facilities under lease represent the unamortized difference between the fair market rental value of the land and facilities and the stated amount of lease payments discounted to their net present value applying discount rates ranging from 3.25% to 5.50%. The facilities and land under lease assets were recognized as a contribution with donor restrictions. The assets are being amortized over their initial lease terms. Land under lease is amortized over its initial 75-year lease term and facilities under lease are amortized over their 7-year lease terms with related amortization recorded in the statement of activities as in-kind rent expense. Such amortization amounted to \$363,480 for the year ended June 30, 2024.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 7 – Fair Value Measurements

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market- corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk, or liquidity profile of the asset or liability. There have been no significant changes in the methodologies used during the year ended June 30, 2024.

The following is a description of the valuation methodologies used for the Foundation's assets measured at fair value:

Money market funds – institutional short-term investment vehicles valued daily with a net asset value (NAV) of \$1. NAV is the quoted price in an active market and, therefore, classified within Level 1 of the fair value hierarchy.

Mutual funds – required to publish their daily NAV and to transact at that price. The mutual funds are actively traded on national exchanges and therefore classified within Level 1 of the fair value hierarchy.

U.S. Treasury bills – valued by the custodians of the U.S. Treasury bills using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2.

Beneficial interest in assets held – The fair value of beneficial interest in assets held by the Community Foundation is based on the fair value of assets held as reported by the Community Foundation.

The following table summarizes the Foundation's determination of fair value as of June 30, 2024 on the following financial assets using these input levels that are measured at fair value:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 1,587,312	\$ -	\$ -	\$ 1,587,312
Mutual funds	325,736	-	-	325,736
U.S. Treasury bills	-	597,369	-	597,369
Total investments	1,913,048	597,369	-	2,510,417
Beneficial interest in assets held by Community Foundation	-	-	38,087	38,087
Total	\$ 1,913,048	\$ 597,369	\$ 38,087	\$ 2,548,504

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 7 – Fair Value Measurements, Continued

The following is a schedule of Level 3 investment activity which is comprised the Foundation's beneficial interest in assets held by the Community Foundation for the year ended June 30, 2024 measured on a recurring basis using significant unobservable inputs:

Balance as of July 1, 2023	\$ 35,052
Net investment activity	3,392
Fees	<u>(357)</u>
Balance as of June 30, 2024	<u>\$ 38,087</u>

Note 8 – Beneficial Interest in Assets Held by Community Foundation

The Foundation established a charitable endowment fund known as The Education Foundation of Palm Beach County, Inc. (the Fund) with the Community Foundation for Palm Beach and Martin Counties, Inc. (the Community Foundation). The earnings of the Fund have been restricted for the benefit of the Foundation. Assets contributed to the Community Foundation for the benefit of the Foundation are recorded as assets of the Foundation. These "Foundation restricted funds" are pooled with the other assets of the Community Foundation for investment purposes. The Foundation's initial contribution of \$25,000 was matched with a \$25,000 grant from the Community Foundation and is not available for distribution and may not be removed from the Fund.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature do not exist as the Fund has an original contribution value of \$25,000, a current fair value of \$37,087 and a cumulative appreciation of \$13,087 at June 30, 2024. This appreciation results from favorable market fluctuations that occurred after the original contribution was made.

Note 9 – Endowment

The Foundation's endowment is established for the purposes expressed in the Foundation's charter and consists of donor-restricted endowment funds and funds designated by the Board of Directors (the Board) to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Foundation is subject to the FUPMFA and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. The Board has interpreted FUPMFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless the fund donor stipulates the contrary.

The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted FUPMFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 9 – Endowment, Continued

The Board considers the following factors in making its determination:

1. The duration and preservation of the fund.
2. The purposes of the organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the organization.
7. The investment return policies of the Foundation.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to maintain the real purchasing power of the endowment and provide a stable source of liquidity and financial support for the mission of the Foundation. Under these policies, the Board acknowledges the importance of preserving capital but recognizes the necessity of accepting risk if the endowment is to be able to meet its long-term investment goals.

Strategies employed for achieving objectives

To satisfy its long-term rate of return objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending policy

Distributions from the endowment will be made in accordance with FUPMFA which allows the Foundation to determine the prudent amount to be appropriated for expenditure from endowment funds within the restrictions of any gift agreements. Over the long term, the spending policy is designed to return a net positive gain in the market value (growth) after spendable transfers. The Foundation expects the current spending policy to allow its endowment to grow at an average annual rate consistent with the Foundation's objective to preserve and strengthen its endowment for the future.

Appropriation from the endowment in excess of the policy spending rate may be made when the Foundation has a unique, non-routine special initiative that is underfunded, in such cases, the Board of Directors will determine the prudent amount to be appropriated and submit the proposed appropriation for Board of Directors approval. Any other special appropriations or decision not to spend the amount indicated by the policy spending rate must also be approved in advance by the Board.

Endowment net assets

Endowment net assets were comprised of the following as of June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted:			
Original gift amount required to be maintained	\$ 500,000	\$ 25,000	\$ 525,000
Amounts subject to appropriations	<u>20,024</u>	<u>13,087</u>	<u>33,111</u>
Total endowment net assets	<u>\$ 520,024</u>	<u>\$ 38,087</u>	<u>\$ 558,111</u>

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 9 – Endowment, Continued

The changes in the endowment net assets are as follows for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 35,052	\$ 35,052
Contributions – Board designated	500,000	-	500,000
Investment return, net	20,024	3,035	23,059
Expenditure appropriations	-	-	-
Endowment net assets, end of year	<u>\$ 520,024</u>	<u>\$ 38,087</u>	<u>\$ 558,111</u>

Note 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted either by donor-designated purpose or the passage of time. As of June 30, 2024, net assets with donor restrictions are available for the following purposes or periods:

Purpose restrictions:	
Red Apple Supply Store	\$ 573,165
Capital campaign	4,243,089
Career education	200,184
Time restrictions:	
Land under lease	4,668,039
Facilities under lease	199,616
Maintained in perpetuity:	
Community Foundation Endowment	<u>38,087</u>
Total net assets with donor restrictions	<u>\$ 9,922,180</u>

Net assets were released from donor restrictions during the year ended June 30, 2024, for the following purposes or passage of time:

Purpose of restriction:	
Other programs	\$ 350,342
Red Apple Supply Store	1,025,913
Career education	437,479
Capital campaign	<u>7,778,080</u>
	9,591,814
Passage of time:	
Land under lease	260,400
Facilities under lease	<u>103,080</u>
	<u>\$ 9,955,294</u>

Note 11 – Contributions of Nonfinancial Assets

Contributed nonfinancial assets (in-kind donations) for the year ended June 30, 2024 were as follows:

Nonfinancial Assets		Donor Restrictions	Valuation Techniques and Inputs
School supplies	\$ 1,312,727	Without donor restrictions	School supplies are recorded at the estimated fair value of the related items received using published wholesale values
Facilities and utilities	<u>297,444</u>	Without donor restrictions	Rent is recorded at the difference between the fair market value of the leases and the payments made by the Foundation under the lease agreements.
	<u>\$ 1,610,171</u>		

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 12 – Commitments and Contingencies

District contracts and arrangements

The Foundation leases space for certain land (ground lease), a warehouse, and office space from the District. Each of the District's leases are deemed to be below fair market value and, accordingly, the difference between the fair value of the leases and the amount paid by the Foundation is recorded as an in-kind contribution and expense. The Foundation's office lease expires in June 2026. The Foundation's ground lease has a term of 75 years and includes a renewal option of an additional 25 years.

The District also has a contract with the Foundation in which the Foundation provides services to the employees of the District and receives \$350,000 from the District for the provision of such services to the District's employees.

Construction contracts

The Foundation has entered into a construction contract for the construction of a new sports and education complex located in Boynton Beach, Florida. Construction costs have been incurred and capitalized through June 30, 2024 as construction in progress, totaling \$9,354,784. The total estimated remaining construction cost at June 30, 2024 of approximately \$5,600,000 is expected to be completed during the fiscal year ending June 30, 2025.

Grantor agencies

In the normal course of activities, the Foundation receives grants and other forms of reimbursement from various government agencies. Those activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Management believes that all of the expenditures are properly recorded and that the liability, if any, for any reimbursement which may arise as the result of audits would not be material.

Note 13 – Concentrations

For the year ended June 30, 2024, approximately 60% of the Foundation's total support and revenue was provided from a single donor. For the year ended June 30, 2024, approximately 5% of the Foundation's support and revenue was provided through grant programs or in-kind contributions from the District.

The Foundation operates exclusively in Palm Beach County, Florida, and is subject, to some extent, to economic conditions and fluctuations in that geographic area.

Note 14 – Pass-through Contributions

The Foundation administers certain contributions in the capacity as intermediary or "agent." The majority of these funds come from other non-profit organizations and public schools in Palm Beach County, Florida. The Foundation considers the use of such funds to be consistent with its mission. However, since the Foundation does not have discretion as to the ultimate recipient of these funds, they are considered "pass-throughs", and as such, have not been recognized as revenue in accompanying financial statements.

Note 15 – Retirement Plan

The Foundation sponsors a qualified 403(b) tax-deferred annuity retirement plan (the Plan) covering qualified employees in accordance with the provisions of IRC 403(b). Under the terms of the Plan, eligible employees may elect to defer a portion of their eligible compensation to the Plan, subject to IRS limits. The Foundation makes a contribution in an amount of up to 3% of the eligible employee's compensation. The Foundation's contributions totaled \$29,128 for the year ended June 30, 2024.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 16 – Prior Period Adjustments

During the year ended June 30, 2024, management discovered that unconditional promises to give from donors related to the Foundation's capital campaign were not recorded in the period the promise was received (2023). In addition, management identified the accounting for the Foundation's below fair market value leases with the District should not have been recorded as a service concession arrangement, as it had been in the prior reporting periods, but as a contribution receivable applying the guidance in FASB ASC 958-605 as of and for the year ended June 30, 2023.

As a result of these determinations, management adjusted the Foundation's contributions receivable and "land under lease" and "office facility under lease" as of June 30, 2023 and determined that the Foundation's net assets with donor restrictions and net assets without donor restrictions reflect the appropriate balances as a result of these prior period adjustments and corrections of errors. The resulting adjustment for the improperly recognized contributions receivable from donors related to the Foundation's capital campaign approximated a \$1,857,000 increase in net assets with donor restrictions. The resulting adjustment for the recognition of the land under lease asset arising from the District related to the Foundation's below fair market value leases was an increase in net assets with donor restrictions of approximately \$4,960,000 as of June 30, 2023.

Net assets with donor restrictions at the beginning of 2024 have been adjusted for an understatement of contributions and contributions receivable, net in the prior year. The corrections removed certain contribution revenue initially recognized by the Foundation totaling \$2,000,000 which resulted in a net reduction in the 2024 change in net assets by approximately that amount. The correction had an effect on the previously reported 2023 change in net assets and financial position of the Foundation.

The table below shows amounts as they were presented in the Foundation's June 30, 2023, statement of financial position and the corrected balances as of the beginning of fiscal year June 30, 2024:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Net Assets
Balance, June 30, 2023, as previously reported	\$ 2,443,316	\$ 5,019,020	\$ 7,462,336
Record contributions receivable, net of present value discount for unconditional promises to give received during 2023.	-	1,856,868	1,856,868
Recognition of land and facilities under lease assets from below market leases with the District, net of present value discounts and adjustments.	-	4,966,491	4,966,491
Reclassification of earnings on beneficial interest in assets held by the Community Foundation.	(10,050)	10,050	-
Balance June 30, 2023, as restated	<u>\$ 2,433,266</u>	<u>\$ 11,852,429</u>	<u>\$ 14,285,695</u>

Note 17 – Subsequent Events

Subsequent to June 30, 2024, the Foundation entered into a construction credit line with a bank (construction line) with available borrowings of up to \$2,500,000 to finance certain construction costs of the Foundation's Sports and Education Complex. Borrowings under the construction line are available through August 2027 with outstanding borrowings on the credit line bearing interest at a specified variable rate with an interest rate floor of 3.25%.

The Foundation evaluated events occurring subsequent to June 30, 2024 through February 21, 2025, the date on which the financial statements were available to be issued, for matters that should be recorded in the financial statements or disclosed in the footnotes thereto.