PALM BEACH ATLANTIC UNIVERSITY, INC.

REPORT ON AUDITS OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

PALM BEACH ATLANTIC UNIVERSITY, INC.

Table of Contents

Independent Auditor's Report

Board of Trustees
Palm Beach Atlantic University, Inc.
West Palm Beach, Florida

Opinion

We have audited the accompanying financial statements of Palm Beach Atlantic University, Inc. (the University) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Palm Beach Atlantic University, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with 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. 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 Palm Beach Atlantic University, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Palm Beach Atlantic University, Inc.'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 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 generally accepted auditing standards 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 Palm Beach Atlantic University, 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 Palm Beach Atlantic University, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2024, on our consideration of Palm Beach Atlantic University, Inc.'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 Palm Beach Atlantic University, Inc.'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 Palm Beach Atlantic University, Inc.'s internal control over financial reporting and compliance.

Templeton & Company, LLP

West Palm Beach, Florida
November 26, 2024

PALM BEACH ATLANTIC UNIVERSITY, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 18,179,797	$ 22,749,527
Assets held in escrow for debt service and construction	44,930,243	5,610,167
Portfolio investments	124,608,160	88,703,076
Tuition receivables, net	1,561,037	1,165,333
Federal loan receivables	1,209,763	8,620,613
Unconditional promises to give, net	5,268,821	7,381,673
Contribution receivable from foundation	24,000,000	24,000,000
Contributions receivable from charitable trust	109,322	114,038
Mortgage note receivable	-	33,400,000
Prepaid expenses and other assets	5,350,712	5,595,568
Non-marketable investments	2,712,359	2,906,754
Operating right-of-use assets	15,971,380	9,566,212
Property, plant, and equipment, net	114,391,444	101,943,170
Total assets	$ 358,293,038	$ 311,756,131
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 1,546,364	$ 2,998,211
Accrued expenses	5,523,048	4,996,480
Deferred tuition revenue	2,627,477	2,625,604
Deferred grant revenue	5,390,962	4,967,868
Deposits and other liabilities	2,348,291	5,794,151
Annuities payable	105,078	122,059
Operating lease obligations	15,971,380	9,566,212
Long-term debt, net	90,025,607	43,025,184
Total liabilities	123,538,207	74,095,769
Net assets:		
Without donor restrictions	112,441,023	112,409,044
With donor restrictions	122,313,808	125,251,318
Total net assets	234,754,831	237,660,362
Total liabilities and net assets	$ 358,293,038	$ 311,756,131

See accompanying notes to financial statements.

PALM BEACH ATLANTIC UNIVERSITY, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2024 and 2023

	For the Year Ended June 30, 2024			For the Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating:						
Revenues and other support:						
Tuition and fees	$ 102,016,479	$ -	$ 102,016,479	$ 96,789,931	$ -	$ 96,789,931
Less scholarship allowances:						
Sponsored scholarships	(4,182,710)	-	(4,182,710)	(3,272,331)	-	(3,272,331)
Unsponsored scholarships	(37,241,314)	-	(37,241,314)	(35,219,585)	-	(35,219,585)
Athletic scholarships	(3,926,681)	-	(3,926,681)	(3,804,554)	-	(3,804,554)
Tuition and fees, net	56,665,774	-	56,665,774	54,493,461	-	54,493,461
Auxiliary enterprises	20,344,859	-	20,344,859	14,857,974	-	14,857,974
Other revenue	1,318,307	-	1,318,307	2,811,407	-	2,811,407
Private gifts and grants	1,402,600	1,147,205	2,549,805	1,299,311	573,996	1,873,307
Government grants	-	2,280,459	2,280,459	-	401,009	401,009
Net investment return	4,700,180	-	4,700,180	1,226,391	-	1,226,391
Net assets released from restrictions	18,907,138	(18,907,138)	-	6,959,462	(6,959,462)	-
Total revenues and other support	103,338,858	(15,479,474)	87,859,384	81,648,006	(5,984,457)	75,663,549
Expenses:						
Program services:						
Instruction	39,583,144	-	39,583,144	36,135,876	-	36,135,876
Academic support	4,343,881	-	4,343,881	4,096,992	-	4,096,992
Student services	18,824,277	-	18,824,277	17,007,744	-	17,007,744
Total program services	62,751,302	-	62,751,302	57,240,612	-	57,240,612
Supporting services:						
General administrative and institutional support	23,182,912	-	23,182,912	21,859,337	-	21,859,337
Auxiliary enterprises	17,919,509	-	17,919,509	15,764,522	-	15,764,522
Total expenses	103,853,723	-	103,853,723	94,864,471	-	94,864,471
Change in net assets from operating activities	(514,865)	(15,479,474)	(15,994,339)	(13,216,465)	(5,984,457)	(19,200,922)
Non-operating:						
Private gifts and grants	546,844	4,545,659	5,092,503	700,088	5,969,645	6,669,733
Net investment return	-	6,726,442	6,726,442	-	5,915,213	5,915,213
Change in value of split-interest trusts	-	1,269,863	1,269,863	-	1,245,277	1,245,277
Gain on sale of property	-	-	-	32,681,520	-	32,681,520
Change in net assets from non-operating activities	546,844	12,541,964	13,088,808	33,381,608	13,130,135	46,511,743
Change in net assets	31,979	(2,937,510)	(2,905,531)	20,165,143	7,145,678	27,310,821
Net assets - beginning of year	112,409,044	125,251,318	237,660,362	92,243,901	118,105,640	210,349,541
Net assets - end of year	$ 112,441,023	$ 122,313,808	$ 234,754,831	$ 112,409,044	$ 125,251,318	$ 237,660,362

See accompanying notes to financial statements.

PALM BEACH ATLANTIC UNIVERSITY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2024 and 2023

For the Year Ended June 30, 2024

	Program Services				Supporting Services		
	Instruction	Academic Support	Student Services	Subtotal	General Administrative and Institutional Support	Auxiliary Enterprises	Total Expenses
Salaries, wages and benefits	$ 28,757,594	$ 482,748	$ 8,582,425	$ 37,822,767	$ 13,971,021	$ 716,442	$ 52,510,230
Services, supplies, and other	4,349,854	385,796	5,645,721	10,381,371	5,229,834	6,754,367	22,365,572
Facilities, utilities, and maintenance	3,125,889	1,335,888	1,792,564	6,254,341	1,466,825	5,338,555	13,059,721
Information technology	286,122	124,766	163,166	574,054	1,610,152	8,506	2,192,712
Advertising and promotion	523,313	-	210,498	733,811	362,956	-	1,096,767
Insurance	852,779	676,310	815,695	2,344,784	181,986	1,712,572	4,239,342
Depreciation	1,267,873	1,005,507	1,212,739	3,486,119	270,568	2,546,174	6,302,861
Interest	419,720	332,866	401,469	1,154,055	89,570	842,893	2,086,518
Total expenses	$ 39,583,144	$ 4,343,881	$ 18,824,277	$ 62,751,302	$ 23,182,912	$ 17,919,509	$ 103,853,723

For the Year Ended June 30, 2023

	Program Services				Supporting Services		
	Instruction	Academic Support	Student Services	Subtotal	General Administrative and Institutional Support	Auxiliary Enterprises	Total Expenses
Salaries, wages and benefits	$ 25,980,297	$ 467,168	$ 6,979,436	$ 33,426,901	$ 11,826,896	$ 595,573	$ 45,849,370
Services, supplies, and other	4,244,527	413,819	5,661,523	10,319,869	5,727,621	6,417,666	22,465,156
Facilities, utilities, and maintenance	2,857,065	1,219,403	1,703,013	5,779,481	1,231,713	5,036,370	12,047,564
Information technology	209,476	112,251	328,029	649,756	2,158,694	8,066	2,816,516
Advertising and promotion	468,478	-	63,033	531,511	407,360	-	938,871
Insurance	776,780	616,038	743,002	2,135,820	165,767	1,211,855	3,513,442
Depreciation	1,289,784	1,022,884	1,233,697	3,546,365	275,244	2,012,190	5,833,799
Interest	309,469	245,429	296,011	850,909	66,042	482,802	1,399,753
Total expenses	$ 36,135,876	$ 4,096,992	$ 17,007,744	$ 57,240,612	$ 21,859,337	$ 15,764,522	$ 94,864,471

See accompanying notes to financial statements.

PALM BEACH ATLANTIC UNIVERSITY, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ (2,905,531)	$ 27,310,821
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	6,302,861	5,833,799
Net realized and unrealized gain on portfolio investments	(6,986,545)	(4,962,970)
Unrealized loss (gain) on non-marketable investments	194,395	(175,368)
Amortization of loan costs	19,067	12,799
Amortization of bond premium	(263,644)	(232,109)
Contributions received restricted for long-term investment	(2,313,376)	(1,760,623)
Gain on sale of property, plant, and equipment	-	(32,681,520)
Provision for credit losses	(259,574)	363,626
Changes in operating assets and liabilities:		
Tuition and other receivables	(136,130)	241,327
Federal loan receivable	7,410,850	4,743,557
Unconditional promises to give, net	2,112,852	(641,063)
Contributions receivable from charitable trusts	4,716	31,684
Prepaid expenses and other assets	244,856	(1,912,623)
Accounts payable	(1,451,847)	1,923,457
Accrued expenses	526,568	135,706
Deferred tuition, deferral grant revenue, deposits and other liabilities	(3,020,893)	4,654,310
Annuities payable	(16,981)	(11,953)
Net cash (used in) provided by operating activities	(538,356)	2,872,857
Cash flows from investing activities:		
Withdrawals from assets held in escrow	9,612,101	-
Purchases of property, plant, and equipment and construction costs paid	(18,751,135)	(10,468,428)
Collections on mortgage note receivable	33,400,000	-
Proceeds from sale of property, plant, and equipment	-	3,702,091
Purchases of portfolio investments, net of sales	(29,582,773)	(672,283)
Net cash used in investing activities	(5,321,807)	(7,438,620)
Cash flows from financing activities:		
Payments on long-term debt	(660,000)	(615,000)
Proceeds from issuance of long-term debt	-	2,900,000
Payment of bond issuance costs	(362,943)	-
Contributions received restricted for long-term investment	2,313,376	1,760,623
Net cash provided by financing activities	1,290,433	4,045,623
Decrease in cash and cash equivalents	(4,569,730)	(520,140)
Cash and cash equivalents - beginning of year	22,749,527	23,269,667
Cash and cash equivalents - end of year	$ 18,179,797	$ 22,749,527

See accompanying notes to financial statements.

Note 1 – Nature of Organization and Summary of Significant Accounting Policies

General

Founded in 1968, Palm Beach Atlantic University, Inc. (the University) is a not-for-profit, private, Christian, interdenominational, four-year University with its main campus in West Palm Beach, Florida comprised of a 22.7-acre downtown campus, a 77.6-acre athletic campus and a satellite campus in Orlando, Florida. The University provides higher education in over 50 academic disciplines to both full-time and part-time traditional and non-traditional undergraduate students. The University also offers multiple masters and continuing education programs as well as Doctor of Pharmacy and Doctor of Nursing Practice programs, and PhD of Practical Theology.

Basis of presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the University, 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 with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restrictions will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the University must continue to use the resources in accordance with the donor's instructions.

The University's unspent contributions are included in this class if the donor limited their use, as are 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 from net assets with donor restrictions to net assets without donor restrictions.

Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the assets are placed in service by the University, unless the donor provided more specific directions about the period of its use.

Measure of operations

The University's operating activities include revenues that are earned as a result of providing programs and supporting activities and expenses relating to providing these programs and supporting activities. Operating activities also include amounts released from donor restrictions. Non-operating activities include the receipt of private gifts, grants and bequests to the endowment, non-operating expenses, annuity and split-interest agreement activity, endowment and investment gains and losses related to donor restricted endowment investments, and gains and losses on property sales.

Note 1 – Nature of Organization and Summary of Significant Accounting Policies, Continued

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. The University considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of the financial statements, including valuation of receivables, including student accounts, pledges and other contribution agreements and certain investments. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ from those estimates.

Tuition and fees

The University recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Institutional aid, in the form of scholarships and grants-in-aid, includes amounts funded by endowments and gifts, and reduces the amount of revenue recognized.

Revenue for tuition and fees for all of the summer terms is recognized as performance obligations are met. Because the summer academic terms span two reporting periods, a portion of the revenue for the summer terms are included in deferred revenue at June 30, 2024 and 2023. Deferred revenues for the summer terms are shown in Note 1 below.

The University offers qualified applicants assistance in the form of financial aid. Financial aid is provided to students in the form of sponsored and unsponsored scholarships, direct grants and loans from the state and federal government, as well as employment during the academic year. In addition, for the years ended June 30, 2024 and 2023, the University granted tuition reductions to faculty and staff as well as their spouses and children in the amount of $1,486,869 and $1,351,393, respectively, which are recorded in general administrative and institutional support expense in the accompanying statements of activities.

Auxiliary enterprises

Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary services are directly related to, although not necessarily equal to, the cost of the goods or services provided.

Auxiliary enterprise revenue includes activities for student housing and dining facilities, parking services, and other miscellaneous activities. Institutional aid specifically for defraying the cost of room and board reduces the amount of revenue recognized.

Revenues for auxiliary services are recognized as performance obligations are met over the academic term. Because the summer terms span two reporting periods, a portion of the revenue for the summer terms is included in deferred revenue at June 30, 2024 and 2023. Deferred revenues for the summer terms are shown in Note 1 below.

Auxiliary enterprises revenue for the years ended June 30, 2024 and 2023 was $20,344,859 and $14,857,974, respectively.

Deferred revenues and deposits

Deferred revenues and deposits represent revenues currently received for programs or activities to be conducted primarily in the next fiscal year, such as summer and fall tuition and fees and room and board. Also included in deferred revenues and deposits is deferred revenue related to sponsorship agreements and commitment deposits received from certain vendors, which will be recognized as income over the lives of the related agreements. In addition, included in deferred revenues are funds received related to certain refundable grants. These amounts are recognized as revenue as the conditions are met in accordance with the underlying terms of the grants.

Note 1 – Nature of Organization and Summary of Significant Accounting Policies, Continued

Deferred revenues and deposits, continued

The balances for deferred revenues and deposits and other liabilities from contracts with customers are shown in the following table at June 30, 2024 and 2023:

	2024	2023
Deferred tuition revenue	$ 2,627,477	$ 2,625,604
Deferred grant revenue	$ 5,390,962	$ 4,967,868
Deposits and other liabilities:		
Vendors/sponsorship agreements	$ 557,292	$ 4,155,935
Other	1,790,999	1,638,216
	$ 2,348,291	$ 5,794,151

Contributions

Contributions, including unconditional promises (pledges) to give, are recognized in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. Amounts pledged are recorded as contributions of net assets with donor restrictions if designated by the donors as such.

Contributions of assets other than cash are reported at their estimated fair value at the date of the gift. The University reports non-cash contributions as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit donor restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as contributions with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The University periodically receives artwork from donors for public exhibition purposes. Artwork collections have not been recorded since the University does not have objective and measurable fair values to assign to the artwork.

Contributions of non-financial assets were immaterial during 2024 and 2023.

Split-interest agreements

Contributions receivable from foundations or charitable trusts, of which the University is a beneficiary, are recorded at the net present value of the stream of anticipated receipts using a risk-based discount rate. Related cash collections are recorded as reductions of contributions receivable and adjustments to reflect the contributions receivable from charitable trusts at their net present value are recorded as “change in value of split-interest trusts” in the accompanying statements of activities.

Cash and cash equivalents

Cash and cash equivalents include demand deposit and money market accounts and other highly liquid investments with an original maturity of three months or less. The University has restricted cash accounts related to the bond refinancing that require amounts to be segregated from the University’s general operating accounts. The University also classifies restricted cash as cash and cash equivalents in assets in escrow related to debt service and construction. These funds will be used for construction of or debt service payments on certain facilities.

Note 1 – Nature of Organization and Summary of Significant Accounting Policies, Continued

Portfolio investments

Portfolio investments include marketable equity securities and public and private funds that trade at net asset value. Marketable equity securities are measured at fair values based on quoted market prices. The public fund is valued based on the fair value of the underlying assets. Certain private funds may invest a portion of their net assets in securities for which market quotations are not readily available. In such cases, the private fund manager prices such securities using other fair value estimation techniques. The resulting fair value is intended to represent a good faith approximation of the amount that the fund could reasonably expect to receive from the investment if the interest were sold at the time of valuation, based on information reasonably available to the manager at the time the valuation is made.

Interest and dividends are included in net investment return in the accompanying statements of activities. Investment income and realized gains and losses on portfolio investments are recognized upon realization. Unrealized gains and losses are recognized based on changes in fair values during the period. Net investment returns are reported in appropriate net asset classifications based upon the existence of donor restrictions, if any.

Portfolio investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain portfolio investments, it is at least reasonably possible that changes in values of portfolio investments will occur in the near-term.

Tuition receivables

The University grants credit without collateral to a large portion of its students. These tuition and other receivables consist of amounts billed to students for tuition and auxiliary charges. Tuition receivables are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible.

Allowance for credit losses

The University separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the statement of financial position date, the University develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. The University believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the University's tuition and other receivables have remained constant since the University's inception.

Non-marketable investments

Non-marketable investments include non-controlling common stock investments in certain closely-held corporations and an investment in a private enterprise. The common stock investments are accounted for using the equity method. The investment in a private enterprise is carried at cost unless circumstances indicate a lower value.

Investments and endowment

Endowment investments consist of investments purchased with the following resources:

- Donor-restricted perpetual endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the University's activities.
- Donor-restricted term endowments, which are contributions restricted by donors to investment for the term specified by the donor. During that term, the donor may either require investment income and appreciation to be reinvested in the fund, or may permit the University to spend those amounts in accordance with the donor's restrictions on use.

Note 1 – Nature of Organization and Summary of Significant Accounting Policies, Continued

Investments and endowment, continued

- Board-designated endowments, which are resources set aside by the Board of Trustees for an indeterminate period to operate in a manner similar to a donor-restricted perpetual endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Trustees.

Endowment investments also include portfolio investments purchased with unspent investment income and net gains on these resources. Other long-term investments are held under split-interest agreements with donors.

Endowment investments are reported at fair value with changes to fair value reported in net investment return in the statements of activities. Purchases and sales of portfolio investments are reported on the trade date.

The investment and spending policies for the endowment are discussed in Note 15.

Property, plant, and equipment

Property, plant, and equipment additions are stated at cost if purchased or, if acquired by contribution, at the estimated fair market value on the date of contribution. The University's policy is to capitalize assets acquired for greater than $5,000. Donated assets are recorded at fair value at the time of receipt of the contributions. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as support without donor restrictions. The University provides for depreciation over the estimated useful lives of the related assets using the straight-line method.

These estimated useful lives are summarized in the following table:

Land improvements	20-40 years
Leasehold improvements	Lease term
Buildings and improvements	20-40 years
Equipment and furnishings	3-10 years

Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is determined by comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset.

If the carrying value of the asset exceeds the cash flows, the asset is considered to be impaired. The impairment charge to be recognized is measured by the amount by which the carrying amount of the asset exceeds its estimated fair value. There were no impairments recognized during the fiscal years 2024 and 2023.

Income taxes

The University has been recognized by the Internal Revenue Service (IRS) as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes has been recorded in the financial statements. The University is required to operate in conformity with the provisions of the IRC to maintain its exempt status.

The University recognizes the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The University does not believe there are any uncertain tax positions.

Note 1 – Nature of Organization and Summary of Significant Accounting Policies, Continued

Income taxes, continued

For the years ended June 30, 2024 and 2023, there were no interest or penalties recorded or included in the University's financial statements. The University is no longer subject to income tax examinations for years prior to 2021. Earnings from unrelated business activities were not significant for the years ended June 30, 2024 and 2023; therefore, no related income taxes are accrued in the accompanying financial statements.

Advances from federal government for student loans

Funds provided by the U.S. government under the Federal Perkins Loans Program (Perkins Loans) were loaned to qualified students prior to October 1, 2017. On September 30, 2017, the authority to make new Perkins Loans ended. Final disbursements were permitted through June 30, 2018. As a result, the University no longer awards Perkins Loans. Receipts of principal and interest payments that create excess cash are returned to the government reducing the liability in the statements of financial position. During the year ended June 30, 2023, the Perkins Loans liquidation process was completed.

Annuities payable

Annuities payable represents amounts due to beneficiaries under various split-interest arrangements in which the University is the trustee. The related assets under these arrangements, approximating $774,000 and $721,000 at June 30, 2024 and 2023, respectively, are included in portfolio investments. The amounts due are calculated using risk-adjusted discount rates ranging from 3% to 7% and the IRS life expectancy tables.

Fundraising expenses

Fundraising expenses, approximating $2,038,000 and $2,011,000 for the years ended June 30, 2024 and 2023, respectively, are expensed as incurred and included in general administrative and institutional support in the accompanying statements of activities.

Valuation techniques

Investments in non-marketable investment companies are valued at the net asset value of the private fund provided by the underlying investment company manager. Management considers subscription and redemption rights, including restrictions on the disposition of the interest, in its determination of fair value.

Fair value of financial instruments

The fair value of financial instruments held by the University as of June 30, 2024 and 2023 are based on a variety of factors and assumptions and may not necessarily be representative of the actual gains or losses that will be realized in the future and do not include expenses that could be incurred in an actual sale or settlement of such financial instruments.

The carrying values of the University's cash and cash equivalents, assets held in escrow for debt service and construction, tuition and other receivables, accounts payable, accrued expenses, deferred revenue, and other liabilities approximate their fair values based on the short-term nature of these instruments.

The fair values of the University's portfolio investments, which are amounts reported in the statements of financial position, are based on quoted market prices (active and not active).

Note 1 – Nature of Organization and Summary of Significant Accounting Policies, Continued

Functional allocation of expenses

The University's primary program service is instruction. The University incurs some expenses for the benefit of multiple functional areas such as maintenance, utilities, depreciation, repairs and interest costs. To the extent expenses are not attributable to a specific area, they are allocated on a square-footage basis to the functional areas based on the primary purpose of the space. When new space or programs are added, the bases on which costs are allocated are evaluated. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the University.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The University generally does not conduct its fundraising activities in conjunction with other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Reclassifications

Certain amounts in the 2023 financial statements were reclassified to conform to the presentation in the 2024 financial statements.

Adopted accounting pronouncement

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the University that are subject to the guidance in FASB ASC 326 were tuition and other receivables. The University adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new disclosures.

Note 2 – Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of June 30, 2024 and 2023 are as follows:

	2024	2023
Financial assets:		
Cash and cash equivalents	$ 18,179,797	$ 22,749,527
Portfolio investments	124,608,160	88,703,076
Tuition receivables, net	1,561,037	1,165,333
Federal loan receivables	1,209,763	8,620,613
Unconditional promises to give, net	5,268,821	7,381,673
Mortgage note receivable	-	33,400,000
Contribution receivable from foundation	24,000,000	24,000,000
Total financial assets	174,827,578	186,020,222
Less financial assets held to meet donor-imposed restrictions:		
Time or purpose-restricted net assets (Note 15)	(90,572,785)	(93,510,295)
Donor-restricted endowment funds (Note 15)	(31,741,023)	(31,741,023)
Less financial assets not available within one year:		
Contribution receivable from foundation (Note 8)	(22,800,000)	(22,800,000)
Unconditional promises to give, net (Note 7)	(2,962,621)	(5,028,129)
Amount available for general expenditures within one year	$ 26,751,149	$ 32,940,775

Note 2 – Liquidity and Availability of Resources, Continued

The above table reflects donor-restricted and any board-designated endowment funds as unavailable because it is the University's intention to invest those resources for the long-term support of the University's programs. However, in the case of need, the Board of Trustees could appropriate resources from the donor restricted funds available for general use. Note 15 provides more information about those funds and about the spending policies for all endowment funds.

The University invests cash in excess of daily requirements in short-term investments.

Note 3 – Portfolio Investments

A summary of portfolio investments, by investment type, at June 30, 2024 and 2023 is as follows:

	2024	2023
Public fund	$ 119,696,041	$ 83,804,264
Private funds	3,996,227	4,048,365
Marketable equity securities	665,243	607,534
Other investments	250,649	242,913
	$ 124,608,160	$ 88,703,076

As of June 30, 2024 and 2023, public and private funds represent investments in open-end management investment companies advised by Morgan Stanley-Graystone, J.P. Morgan, Commonfund and TIFF Advisory (the Funds). Investments in the Funds are solely available to large 501(c)(3) organizations and other accredited investors. The University may liquidate a portion or all of its investments in the Funds at their respective net asset value at any time.

At both June 30, 2024 and 2023, the University had approximately 96% and 94%, of its portfolio investments invested in the public fund. At June 30, 2024 and 2023, the University has outstanding commitments to make future investments in private funds aggregating $6,570,714 and $6,026,928, respectively.

The following schedule summarizes the net investment return on portfolio and non-marketable investments (see Note 10) for the years ended June 30, 2024 and 2023 and its classification in the statements of activities:

	2024	2023
Net investment income	$ 4,440,077	$ 2,178,634
Net realized gains (losses)	411,298	(888,489)
Net unrealized gains	6,575,247	5,851,459
Net investment return	$ 11,426,622	$ 7,141,604

Net investment return includes $178,173 and $192,378 of direct investment expenses for the years ended June 30, 2024 and 2023, respectively. For the years ended June 30, 2024 and 2023, net unrealized gains (losses) include $(194,395) and $175,367, respectively, attributable to the University's non-marketable investments.

Note 4 – Tuition Receivables

Tuition receivables, net at June 30, 2024 and 2023 consist of the following:

	June 30, 2024		
	Tuition receivables	Allowance for Credit Losses	Tuition receivables, net
Student accounts	$ 2,818,410	$ (1,257,373)	$ 1,561,037

Note 4 – Tuition Receivables, Continued

	June 30, 2023		
	Tuition receivables	Allowance for Credit Losses	Tuition receivables, net
Student accounts	$2,682,280	$ (1,516,947)	$ 1,165,333

Note 5 – Allowance for Credit Losses

As of and for the year ended June 30, 2024, changes to the allowance for credit losses for student tuition receivables is as follows:

Beginning of year	$ 1,516,947
Provision for credit losses	(107,850)
Recoveries	(151,724)
End of year	$ 1,257,373

Note 6 – Mortgage Note Receivable

In December 2019, the University entered into a contract to sell certain land, buildings, and improvements in a transaction which closed on July 8, 2022 for a sales price of $41,500,000. The University received cash of $8,100,000 and a promissory note (the note) for $33,400,000 secured by a balloon purchase money first mortgage, assignment of rents, and a security agreement. The promissory note accrued interest on the outstanding principal balance at the rate of 5% per annum, computed daily on a 360-day year. During the years ended June 30, 2024 and 2023, respectively, the University earned $136,667 and $1,530,833 in interest income which is recognized in other revenue in the accompanying statements of activities. Non-refundable interest was prepaid on the note through August 31, 2023. Interest was payable quarterly, in arrears, with the first payment due September 20, 2023, and all accrued and unpaid interest and principal was due on the maturity date.

The maturity date was the earlier of (1) June 30, 2027, (2) the date the Borrower commenced construction of new improvements on the property, excluding demolition, (3) the date a construction loan for any improvements closed, or (4) 30 days after the earlier of a final judgment in any pending claims or dismissal of pending litigation following an executed settlement agreement. The note could be prepaid in whole or part at any time without fee, premium or penalty. The note was repaid in full in July 2023, with the proceeds invested primarily in money market funds and alternative investments.

Note 7 – Unconditional Promises to Give

Unconditional promises to give consist of the following at June 30, 2024 and 2023:

	2024	2023
Unconditional promises to give before unamortized discount and allowance for uncollectible pledges	$ 6,226,139	$ 8,791,450
Less: unamortized discount	(680,012)	(916,004)
Subtotal	5,546,127	7,875,446
Less: allowance for uncollectible pledges	(277,306)	(493,773)
Net unconditional promises to give	$ 5,268,821	$ 7,381,673

Note 7 – Unconditional Promises to Give, Continued

Unconditional promises to give consist of the following at June 30, 2024 and 2023:

	2024	2023
Amounts due in:		
Less than one year	$ 2,583,506	$ 2,847,317
One to five years	3,642,633	5,944,133
Total	$ 6,226,139	$ 8,791,450

The University applies a 5.0% discount rate to its pledges with terms in excess of one year.

Note 8 – Contribution Receivable from Foundation

At June 30, 2024 and 2023, the University has a contribution receivable from the Theodore R. and Vivian M. Johnson Foundation, Inc. (the Foundation) in the amount of $24,000,000. Under the bylaws of the Foundation, the University is entitled to receive the lesser of the stated percentages of income from the assets held by the Foundation or $1,200,000 annually in perpetuity.

Contributions receivable from the Foundation are reflected based on the present value of the expected cash flows using a 5% discount rate. The University received $1,200,000 from the Foundation for each of the years ended June 30, 2024 and 2023. Gains and losses resulting from the accretion of the discount are recorded as increases or decreases in change in value of split-interest trusts in the accompanying statements of activities.

Note 9 – Contributions Receivable from Charitable Trust

The University is the beneficiary of a Charitable Remainder Annuity Trust. The beneficial interest is reported at fair value, which is measured as the present value of the payments expected to be received at the termination of the trust. The fair value is re-measured at each fiscal year end, using updated life expectancies, interest rates, and estimated cash flows to estimate the fair value of the beneficial interest. At June 30, 2024, the interest rate assumption used was 5%, which is approximately equal to the expected return on the trust assets over time.

Note 10 – Non-marketable Investments

Non-marketable investments include the following at June 30, 2024 and 2023:

	2024	2023
Common stock investments	$ 2,712,359	$ 2,906,754

The common stock investments represent 100%, non-controlling interests in corporations that own and operate a pre-school and day-care center located in Lantana, Florida. Subsequent to year-end, the University obtained controlling interests in the corporations due to the closure of the pre-school and day-care center, and the University is in the process of determining the future status of the corporations.

Aggregate unaudited summarized financial information for the common stock investments as of June 30, 2024 and 2023 and for the years then ended is presented in the following table:

	2024	2023
At year-end:		
Assets, principally land and certificates of deposit	$ 2,712,359	$ 2,906,754
Liabilities	-	-
Shareholder's equity	$ 2,712,359	$ 2,906,754
For the year ended:		
Revenue	$ 738,303	$ 1,194,589
Expenses	1,151,726	1,106,456
Net (loss) gain	$ (413,423)	$ 88,133

Note 11 – 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).

The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of the fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The University's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The following table summarizes the University's determination of fair value as of June 30, 2024 and 2023 on the following financial assets and liabilities using these input levels that are measured at fair value on a recurring basis:

	Fair Values at June 30, 2024			
	Level 1	Level 2	Level 3	Fair Value Total
Assets:				
Investments:				
Public fund:				
Money market funds	$ 46,723,957	$ -	$ -	$ 46,723,957
Equities	45,868,583	-	-	45,868,583
Mutual funds	5,580,052	-	-	5,580,052
Alternative	-	-	21,523,449	21,523,449
Total public fund	98,172,592	-	21,523,449	119,696,041
Private funds	-	-	3,996,227	3,996,227
Marketable equity securities	665,243	-	-	665,243
Other investments	-	250,649	-	250,649
Total assets	$ 98,837,835	$ 250,649	$ 25,519,676	$ 124,608,160
Liabilities:				
Annuities payable	$ -	$ (105,078)	$ -	$ (105,078)
Total liabilities	$ -	$ (105,078)	$ -	$ (105,078)

Note 11 – Fair Value Measurements, Continued

	Fair Values at June 30, 2023			
	Level 1	Level 2	Level 3	Fair Value Total
Assets:				
Investments:				
Public fund:				
Money market funds	$ 8,866,683	$ -	$ -	$ 8,866,683
Equities	37,695,817	-	-	37,695,817
Mutual funds	18,874,332	-	-	18,874,332
Alternative	-	-	18,367,432	18,367,432
Total public fund	65,436,832	-	18,367,432	83,804,264
Private funds	-	-	4,048,365	4,048,365
Marketable equity securities	607,534	-	-	607,534
Other investments	-	242,913	-	242,913
Total assets	$ 66,044,366	$ 242,913	$ 22,415,797	$ 88,703,076
Liabilities:				
Annuities payable	$ -	$ (122,059)	$ -	$ (122,059)
Total liabilities	$ -	$ (122,059)	$ -	$ (122,059)

The following is a schedule of Level 3 investment activity for the year ended June 30, 2024 measured on a recurring basis using significant unobservable inputs:

	Investments in private and alternative funds
Balance as of July 1, 2023	$ 22,415,797
Net investment gain	1,298,532
Net purchases	1,805,347
Balance as of June 30, 2024	$ 25,519,676

There have been no significant changes in the methodologies used during the years ended June 30, 2024 and 2023. The following is a description of the valuation methodologies used for Level 2 and Level 3 investments measured at fair value:

Private and alternative funds - recorded at an estimate of fair value using valuation metrics such as security prices of comparable public companies, discounted cash flow models, original investment purchase price multiples, while also incorporating a portfolio company's financial performance and specific risk factors.

Annuities payable – determined using risk-adjusted discount rates ranging from 3% to 7% and the IRS life expectancy tables.

Other investments – recorded at the net cash surrender value of life insurance policies.

The University's investments in the public fund may be redeemed daily. The investments in private funds may be redeemed on a quarterly basis upon proper notice being given to the respective fund manager.

Note 12 – Property, Plant, and Equipment

The following is a summary of property, plant, and equipment and related accumulated depreciation as of June 30, 2024 and 2023:

	2024	2023
Land	$ 30,076,033	$ 20,839,052
Land improvements	13,727,221	13,727,221
Leasehold improvements	178,010	178,010
Buildings and improvements	157,766,901	149,490,110
Equipment and furnishings	23,791,689	22,376,256
	225,539,854	206,610,649
Less: accumulated depreciation	(115,652,503)	(109,349,641)
	109,887,351	97,261,008
Construction in progress	4,504,093	4,682,162
Property, plant, and equipment, net	$ 114,391,444	$ 101,943,170

Depreciation totaled $6,302,861 and $5,833,799 for the years ended June 30, 2024 and 2023, respectively. Construction in progress at June 30, 2024 and 2023 represents costs incurred for various new construction and campus improvement projects.

Note 13 – Long-Term Debt, Net

Long-term debt at June 30, 2024 and 2023 consists of the following:

	2024	2023
Palm Beach County Educational Facilities Authority Revenue Bonds, Series 2021 (Series 2021 Bonds)	$ 34,465,000	$ 35,125,000
Palm Beach County Educational Facilities Authority Revenue Bonds, Series 2024 (Series 2024 Bonds)	45,000,000	-
2018 Promissory note	1,500,000	1,500,000
2022 Promissory note	2,900,000	2,900,000
	$ 83,865,000	$ 39,525,000

Series 2021 Bonds

In October 2021, the University issued $35,740,000 of revenue funds (Series 2021 Bonds) which were used to settle its interest rate swap agreement, refund its Series 2012 Bonds, repay the Term Note Payable and finance future capital projects. The Series 2021 Bonds bear interest at an average rate of 4.0% and are repayable between 2022 and 2051. On the closing date, the net proceeds from the sale of the Series 2021 Bonds totaled $39,840,596 which included a premium of $4,257,998, net of an underwriter's discount of $157,461.

Series 2024 Bonds

In February 2024, the University issued $45,000,000 of revenue funds (Series 2024 Bonds) to finance a) a portion of the capital expenditures related to the Marshall E. Rinker, Sr. School of Business, and b) paying costs of issuing the Series 2024 Bonds. The Series 2024 Bonds bear interest at an average rate of 5.0% and are repayable between 2028 and 2053. On the closing date, the net proceeds from the sales of the Series 2024 Bonds totaled $47,905,000 which included a premium of $3,462,861, net of an underwriter's discount of $557,861.

Note 13 – Long-Term Debt, Net, Continued

Series 2024 Bonds, continued

The original issue premium is being amortized over the life of the Series 2024 Bonds. These bonds carry substantially the same covenants as the Series 2021 Bonds.

2018 Promissory Note

In June 2018, the University borrowed $1,500,000 from a foundation, in which a member of the University's Board of Trustees serves as an officer, to finance the purchase of certain real property in West Palm Beach, Florida to be used for future classroom space. The promissory note is uncollateralized and bears interest at 5% per annum. Interest is payable quarterly through June 13, 2025, when the entire outstanding principal balance shall be due and payable.

2022 Promissory Note

In August 2022, the University entered into a contract with a foundation, in which a member of the University's Board of Trustees serves as an officer, to purchase land and buildings for a purchase price of $2,800,000. The purchase was completed on August 29, 2022. In conjunction with the purchase, the University also entered into a promissory note payable for $2,900,000 on September 2, 2022. The note accrues interest at a rate of 5.0% per annum on the unpaid principal balance until maturity or until the outstanding balance is paid. Interest is payable quarterly, beginning December 13, 2022 and quarterly thereafter. The note may be prepaid on or after September 1, 2024. Principal payments of $1,000,000 are due September 1, 2027 and 2028 with the remaining balance due and payable in full on September 1, 2029.

Debt issuance costs and bond premium

Amortization of debt issuance costs is reported in the statements of activities as an operating expense and amounted to $19,067 and $12,799 for the years ended June 30, 2024 and 2023, respectively. The bond premium is amortized over the life of the related bonds using the effective interest method. Bond premium amortization offsets interest expense and amounted to $263,644 and $232,109 for the years ended June 30, 2024 and 2023, respectively. The outstanding balance of long-term debt, net at June 30, 2024 and 2023 is as follows:

	2024	2023
Long-term debt	$ 83,865,000	$ 39,525,000
Plus: unamortized bond premium	7,062,046	3,862,829
Less: unamortized debt issuance costs	(901,439)	(362,645)
Total long-term debt, net	$ 90,025,607	$ 43,025,184

Principal payments

Principal payments due on long-term debt in each of the five years subsequent to June 30, 2024, and thereafter, are presented as follows:

Year Ending June 30,	Series 2024 Bonds	Series 2021 Bonds	2018 Promissory Note	2022 Promissory Note	Total Payments
2025	$ -	$ 685,000	$ -	$ -	$ 685,000
2026	-	715,000	1,500,000	-	2,215,000
2027	-	745,000	-	-	745,000
2028	-	775,000	-	1,000,000	1,775,000
2029	795,000	805,000	-	1,000,000	2,600,000
Thereafter	44,205,000	30,740,000	-	900,000	75,845,000
Total	$ 45,000,000	$ 34,465,000	$ 1,500,000	$ 2,900,000	$ 83,865,000

Note 13 – Long-Term Debt, Net, Continued

Deposits with bond trustees consist of debt service funds and unexpended proceeds of Series 2024 Bonds totaling $44,749,921 at June 30, 2024 and are included in assets held in escrow for debt service and construction in the statement of financial position.

The University was in compliance with all debt covenants as of June 30, 2024.

Note 14 – Retirement Plan

Retirement benefits are provided through a qualified 403(b) defined contribution plan. The University matched employee contributions up to 5% of the annual compensation for participating employees through March 31, 2023, and up to 6% beginning April 1, 2023. Retirement plan expense for the years ended June 30, 2024 and 2023 amounted to $1,459,381 and $1,190,437, respectively.

Note 15 – Restricted Net Assets and Endowment

The University's endowment is established for the purposes expressed in the University's charter and consists of donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The endowment consists of 219 individual endowments established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

At June 30, 2024 and 2023, net assets with donor restrictions consist of the following:

	2024	2023
Purpose restrictions, available for spending:		
Instruction	$ 4,812,842	$ 5,037,100
Academic support	2,103,714	1,865,081
Student services	296,081	476,609
General administrative and institutional support	18,058,702	19,869,581
Plant facilities and maintenance	24,181,735	27,885,067
Scholarships and student aid	41,119,711	38,376,857
Restrictions, perpetual in nature	31,741,023	31,741,023
	$ 122,313,808	$ 125,251,318

Funds with deficiencies

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 University to retain as a fund of perpetual duration. Any such losses are recorded as reductions in net assets with donor restrictions and restored with subsequent gains.

Interpretation of relevant law

The University adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). FUPMIFA requires the Board of Trustees (the Board) to use reasonable care, skill and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUPMIFA, the Board may expend so much of an endowment as the Board determines to be prudent for the uses and purposes for which the endowment is established, consistent with the goal of conserving the purchasing power of the endowment.

The Board considers the following factors in making its determination:

1) The purpose of the University,
2) The intent of the donor of the endowment funds,

Note 15 – Restricted Net Assets and Endowment, Continued

Interpretation of relevant law, continued

3) The term of the applicable instrument,
4) General economic conditions,
5) The possible effect of inflation or deflation,
6) The long-term and short-term needs of the University in carrying out its exempt purpose,
7) Perpetuation of the endowment.

Return objectives and risk parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to scholarship and other activities supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity as well as board-designated funds.

Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of multiple benchmarks based on the type of investment while assuming a moderate level of investment risk. The University expects its endowment assets, over time, to provide an average rate of return that will meet its spending rate plus the inflation rate. Actual returns in any given year may vary from this amount.

Strategies employed to achieve objectives

To satisfy its long-term rate-of-return objectives, the University 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). The University targets a diversified allocation to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The University's spending policy is designed to provide for positive growth in the market value of its endowment, net of distributions, over an extended period of time. Over the long-term, the spending policy is designed to return a net positive gain in the market value (growth) after spendable transfers. The budgeted spending rate is based upon approximately 4.9% of the 3-year average balance in each fund through June 30, provided that such spending will not cause the balance in that fund to drop below the corpus of that fund.

Changes in endowment net assets for the year ended June 30, 2024 follow:

	Without Donor Restrictions	With Donor Restrictions	Total 2024
Balance as of July 1, 2023	$ 12,487,364	$ 89,229,653	$ 101,717,017
Net investment return	1,137,667	6,726,439	7,864,106
Contributions	-	973,097	973,097
Change in value split-interest trusts	-	1,154,723	1,154,723
Appropriations for endowment expenditures	(616,301)	(1,322,180)	(1,938,481)
Total endowment gifts and designations	$ 13,008,730	$ 96,761,732	$ 109,770,462

Note 15 – Restricted Net Assets and Endowment, Continued

Spending policy, continued

A reconciliation of endowment net assets to total net assets for the year ended June 30, 2024 follows:

	Without Donor Restrictions	With Donor Restrictions	Total 2024
Total endowment gifts and designations	$ 13,008,730	$ 96,761,732	$ 109,770,462
Other non-endowment net assets	99,432,293	25,552,076	124,984,369
Total net assets	$ 112,441,023	$ 122,313,808	$ 234,754,831

Note 16 – Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events as specified by the donors. Net assets were released from restrictions during the years ended June 30, 2024 and 2023 for the following purposes:

	2024	2023
Instruction	$ 3,292,858	$ 2,604,411
Academic support	6,855	58,352
Student services	707,894	166,992
General administrative and institutional support	3,280,307	274,540
Plant facilities for maintenance	7,310,073	10,495
Scholarships and student aid	4,309,151	3,844,672
	$ 18,907,138	$ 6,959,462

Note 17 – Description of Leasing Arrangements

As Lessor

The University leases certain office facilities and property to third parties under short-term operating leases. Rental income for the years ended June 30, 2024 and 2023 was not material.

As Lessee

The University has noncancelable operating leases for its Orlando, Florida campus and certain real property in West Palm Beach, Florida, along with other operating leases for equipment. The noncancelable operating lease for the real property in West Palm Beach, Florida has an initial term of 99 years and expires in 2106. The remaining noncancelable operating leases have terms that extend through 2027.

The University considered the likelihood of exercising renewal or termination terms in measuring its right-of-use lease assets and lease liabilities and has included renewal periods in its assessment of lease terms. The exercise of renewal options is at the sole discretion of the University, and only lease options that the University believes it is reasonably certain to exercise are included in the measurement of the lease assets and liabilities. While all the agreements provide for minimum lease payments, some include payments adjusted for inflation and inflation related measures. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants. The discount rate used for operating lease liabilities is the risk-free U.S. Treasury rate.

Note 17 – Description of Leasing Arrangements, Continued

As Lessee, continued

The right-of-use assets are amortized over their estimated useful lives. The operating lease right-of-use assets and lease liabilities as of June 30, 2024 and 2023 are as follows:

	2024	2023
Operating right-of-use assets	$ 15,971,380	$ 9,566,212
Operating lease liabilities	$ 15,971,380	$ 9,566,212

The components of operating lease expense that are included the statements of activities for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Operating lease cost	$ 1,423,184	$ 1,709,817
Variable lease cost	$ 51,625	$ 190,639
Short-term lease cost	$ 5,870	$ 147,488

The following summarizes the cash flow information related to operating leases for the years ended June 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 1,200,364	$ 1,035,293
ROU assets obtained in exchange for new lease liabilities	$ 7,134,095	$ -

Weighted average lease term (in years) and discount rate as of June 30, 2024 and 2023:

	2024	2023
Weighted average remaining lease term (in years)	42.91	65.95
Weighted average discount rate	3.27%	2.50%

At June 30, 2024, the minimum future payments under operating leases (with initial or remaining lease terms in excess of one year) are as follows:

Year Ending June 30,	Amount
2025	$ 1,952,687
2026	1,355,113
2027	1,048,601
2028	803,015
2029	821,529
Thereafter	17,962,148
Total minimum lease payments	23,943,093
Less: present value discount	(7,971,713)
Present value of lease liability	$ 15,971,380

Provident Group – PBAU Properties, LLC

The University entered into a 40-year ground lease with Provident Group – PBAU Properties, LLC and Provident Resources Group, Inc. (Owner), commencing June 1, 2019, in which the Owner designed, constructed, managed the construction, and furnished a 510-bed residence hall facility (residence hall) for the benefit of the University. The Owner issued $40,755,000 of revenue bonds through Palm Beach County, Florida to finance the construction of the residence hall.

Note 17 – Description of Leasing Arrangements, Continued

Provident Group – PBAU Properties, LLC, continued

The University is not contingently liable in the event of a default on the bonds. The ground lease term shall expire on the earlier of 1) the 40th anniversary of the commencement date or 2) the date on which the bonds associated with the project have been fully repaid or the indenture is discharged.

The University and Owner entered into a management agreement such that the University is responsible for managing, operating and maintaining the residence hall in conjunction with its general business. Revenues and expenses associated with the residence hall are generally the responsibility of the Owner. The bonds will be repaid from the revenues from the residence hall. A ground lease payment will be paid to the University only upon settlement of various expenses and if minimum cash requirements are met. Ground lease income of $707,138 and $505,887 was received for the years ended June 30, 2024 and 2023.

The University will be reimbursed by the Owner for utilities and other operating expenses. All liens and rights are subordinate to the University.

Ownership of the residence hall will revert to the University upon termination of the ground lease and full repayment of the related bonds. The University has the option to purchase the Owner's right, title and interest in the residence hall beginning on the tenth anniversary of the commencement date of the lease.

The University has not recorded any transactions related to potential future title or ownership in the residence hall through June 30, 2024.

Arrangements such as the one among the University, the Owner and Palm Beach County, Florida, (which financed the bonds to fund the residence hall), are sometimes referred to as public-private partnerships (or P3 arrangements). No partnership agreement exists, and each party has specific rights and obligations under the agreements discussed above. Given the nature of this arrangement, the University has concluded that this arrangement does not qualify for consolidation with the University's financial statements prepared in conformance with U.S. GAAP.

Note 18 – Insurance

The University is a member of the Florida Independent Colleges and Universities Risk Management Association (FICURMA), a comprehensive insurance and risk management program which provides coverage for workers' compensation, general liability, property, and auto liability. FICURMA's members make annual contributions into the program based on an independent actuarial valuation to cover the members' retained deductible components, which include $1,000,000 per occurrence for covered insurance claims. Claims in excess of the self-insured retention limits are covered under excess coverage policies with the program's carrier up to various aggregate limits. Previously, the University advanced $350,000 to FICURMA to allow FICURMA to work independently of its members. The advance bears interest at a variable rate determined by FICURMA's annual aggregate return of its invested capital. A portion of the 2009 note and 2010 note was repaid by FICRUMA to the University in the amount of $32,500 and $142,500 during the years ended June 30, 2024 and 2023, leaving a remaining balance of $32,500 at June 30, 2024. The advance is fully reserved as of both June 30, 2024 and 2023.

FICURMA was fully funded by its members as of June 30, 2024 and 2023, and management believes that the program has the ability to cover the members' known and incurred, but not reported, claims exposure related to the retained deductible components.

Insurance expense related to the FICURMA program amounted to $4,239,342 and $3,513,442, respectively, for the years ended June 30, 2024 and 2023 and is included in institutional support in the accompanying statements of activities.

Note 19 – Legal Proceedings

From time to time, the University is a party to various litigation and other claims in the ordinary course of conducting its activities. The University recognizes liabilities for legal proceedings when a loss is probable and estimable. In the event that a loss is probable and estimable within a range, the University accrues the amount most likely to be incurred.

Note 20 – Risks and Concentrations

Financial instruments which potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents. The University maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The University has not experienced any losses in such accounts.

A substantial number of the University's students independently receive state and federal grants and tuition loans. A significant reduction in state and federal grants and student loans, if this were to occur, would have a significant effect on the University's operations and activities.

Note 21 – CARES Act Assistance

The CARES Act provides an employee retention credit (CARES Employee Retention Credit), which is a refundable tax credit against certain employment taxes for qualifying employers. The employee retention tax credit allows for a maximum credit of $7,000 per employee for each eligible quarter in 2021 and a maximum credit of $5,000 per employee in 2020 (aggregating all eligible quarters). For 2021, the tax credit is equal to 70% of qualified wages paid to employees during an eligible quarter, capped at $10,000 of qualified wages per employee per each eligible quarter. The 2021 provisions consider the three calendar quarters from January 1, 2021 through September 30, 2021 as eligible quarters. For 2020, the tax credit is equal to 50% of qualified wages paid to employees, capped at $10,000 of qualified wages per employee for all of 2020.

During the year ended June 30, 2022, the University recorded $8,524,357 related to the CARES Employee Retention Credit. Amounts received or receivable may be subject to audit by the Internal Revenue Service and any disallowed expenses, including amounts already received, might constitute a liability of the University for return of those funds. Although this is a possibility, the University considers the contingency remote, since management believes that the University has fulfilled the provisions of the refundable tax credit. During the years ended June 30, 2024 and 2023, the University collected $7,449,308 and $169,903, respectively, of the CARES Employee Retention Credit with $905,146 remaining to be received from the United States Treasury at June 30, 2024.

Note 22 – Commitments

Dining Services Agreement

On March 31, 2020, the University entered into a Dining Services Management Agreement (Agreement) with Aramark Educational Services, LLC (Aramark) to provide and manage the University's campus food service program. The agreement is for a ten-year period beginning July 1, 2020 and ending on June 30, 2030. Either party may terminate the agreement by giving a 90-days' notice prior to the proposed termination date. The termination provision of the agreement requires that during the notice period, both parties endeavor in good faith to avoid the termination of the agreement.

As part of the agreement, the University received advances from Aramark in the form of financial investments to improve dining facilities and equipment in exchange for the exclusive rights to use the University's facilities and equipment. These advances are refundable to Aramark should the University terminate the agreement prior to its expiration, the refundable amount is proportionate to the unexpired portion of the agreement.

Note 22 – Commitments

Dining Services Agreement, continued

Accordingly, the University recorded the unamortized portion of these advances as a component of deposits and other liabilities in the accompanying statements of financial position. In the event of termination, the remaining unamortized advances convert to an interest-bearing obligation.

The University and Aramark entered into an amendment (Amendment) to the Agreement effective July 1, 2024. The Amendment extended the period of the agreement to June 30, 2040, and resulted in remaining advances being recognized as revenue during the year ended June 30, 2024 and included in auxiliary enterprises revenue in the accompanying statement of activities. The termination provision of the Amendment includes a termination penalty payable by the University to Aramark in the event the Agreement is terminated prior to the expiration date.

Contract commitments

The University has outstanding commitments with various contractors related to construction activities at June 30, 2024, as follows:

Project	Total Contract	Incurred to Date	Remaining Commitment
Business School	$ 76,487,714	$ 5,592,575	$ 70,895,139
Sachs Hall	366,250	155,000	211,250
	$ 76,853,964	$ 5,747,575	$ 71,106,389

Note 23 – Related Party Transactions

The University receives funding from, and conducts general business transactions with, various entities that have Trustee member affiliations. These transactions are reported to the Board of Trustees annually, and none are material to the financial statements.

Interest paid for the years ended June 30, 2024 and 2023 was $220,000 and $188,000, respectively, on the promissory notes from a foundation in which a member of the University's Board of Trustees serves as an officer.

Note 24 – Supplemental Statement of Cash Flows Disclosure

Interest paid for the years ended June 30, 2024 and 2023 approximated $1,612,000 and $1,570,000, respectively.

Note 25 – Subsequent Events

The University evaluated its activities subsequent to June 30, 2024 through November 26, 2024, the date on which the financial statements were available to be issued, for events that require recognition in the financial statements or disclosure in the notes thereto.

Templeton
ACCOUNTANTS & ADVISORS

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*

Board of Trustees
Palm Beach Atlantic University, Inc.
West Palm Beach, Florida

We have audited, in accordance with 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 Palm Beach Atlantic University, Inc., a non-profit organization, (the University), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the 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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, with which noncompliance could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Templeton & Company, LLP

West Palm Beach, Florida
November 26, 2024