

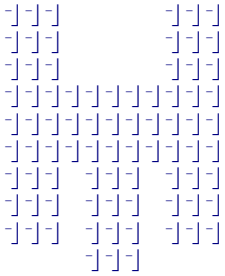
PALM HEALTHCARE FOUNDATION, INC.
d/b/a
PALM HEALTH FOUNDATION

**REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2025
(with comparable totals for 2024)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Palm Healthcare Foundation, Inc.
West Palm Beach, Florida

Opinion

We have audited the accompanying consolidated financial statements of Palm Healthcare Foundation, Inc. (a nonprofit organization d/b/a Palm Health Foundation) which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Palm Healthcare Foundation, Inc., as of June 30, 2025, 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 of 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 Consolidated Financial Statements section of our report. We are required to be independent of Palm Healthcare Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Palm Healthcare Foundation, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, including omissions, 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 consolidated 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 consolidated 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 consolidated 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 Healthcare Foundation, 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Palm Healthcare Foundation, 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.

Report on Summarized Comparative Information

We have previously audited Palm Healthcare Foundation, Inc.'s June 30, 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 15, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as presented in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Holyfield & Thomas, LLC

West Palm Beach, Florida
December 21, 2025

PALM HEALTHCARE FOUNDATION, INC
d/b/a PALM HEALTH FOUNDATION

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

As of June 30, 2025

(with comparable totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Totals	2024 Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 295,501	\$ 281,105	\$ 576,606	\$ 626,270
Prepaid expenses and other assets	10,277	-	10,277	104,652
Total current assets	305,778	281,105	586,883	730,922
Investments - endowment	63,253,959	23,144,102	86,398,061	81,317,525
Split-interest agreements	-	3,202,941	3,202,941	3,053,525
Property and equipment, net	4,458,711	-	4,458,711	4,648,202
Right-of-use assets:				
Operating lease, net	327,290	-	327,290	361,646
Financing lease, net	6,096	-	6,096	7,653
Total assets	<u>\$ 68,351,834</u>	<u>\$ 26,628,148</u>	<u>\$ 94,979,982</u>	<u>\$ 90,119,473</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 240,875	\$ -	\$ 240,875	\$ 154,650
Grants payable	-	-	-	200,000
Lease obligations, current portion:				
Operating lease	25,235	-	25,235	19,395
Financing lease	1,444	-	1,444	1,327
Total current liabilities	267,554	-	267,554	375,372
Lease obligations:				
Operating lease	321,810	-	321,810	342,251
Financing lease	4,983	-	4,983	6,427
Rent deposits	54,486	-	54,486	54,486
Total liabilities	<u>648,833</u>	<u>-</u>	<u>648,833</u>	<u>778,536</u>
Net assets:				
Without donor restrictions:				
Designated for 5205 Bldg. - Reserves	268,869	-	268,869	259,507
Designated for endowment	63,253,959	-	63,253,959	59,875,265
Undesignated	4,180,173	-	4,180,173	4,552,014
Total without donor restrictions	67,703,001	-	67,703,001	64,686,786
With donor restrictions	-	26,628,148	26,628,148	24,654,151
Total net assets	<u>67,703,001</u>	<u>26,628,148</u>	<u>94,331,149</u>	<u>89,340,937</u>
Total liabilities and net assets	<u>\$ 68,351,834</u>	<u>\$ 26,628,148</u>	<u>\$ 94,979,982</u>	<u>\$ 90,119,473</u>

See accompanying notes to consolidated financial statements.

PALM HEALTHCARE FOUNDATION, INC.
d/b/a PALM HEALTH FOUNDATION

**CONSOLIDATED STATEMENT
OF ACTIVITIES**

For the Year Ended June 30, 2025

(with comparable totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Totals	2024 Totals
Operating activities:				
Revenues and support:				
Contributions, grants, and pledges	\$ 67,677	\$ 1,757,749	\$ 1,825,426	\$ 1,499,963
Rental income	343,023	-	343,023	327,762
Trust income	33,751	234,101	267,852	275,826
Conference, event, and other income	16,279	4,790	21,069	29,616
Investment return appropriated from endowment for operations	3,192,818	416,396	3,609,214	3,660,265
Total revenues and support	3,653,548	2,413,036	6,066,584	5,793,432
Net assets released from restrictions	2,485,095	(2,485,095)	-	-
	6,138,643	(72,059)	6,066,584	5,793,432
Expenses:				
Grants and program services	5,327,952	-	5,327,952	5,065,614
Support services:				
General and administrative	565,641	-	565,641	464,454
Fundraising	358,231	-	358,231	350,759
Total expenses	6,251,824	-	6,251,824	5,880,827
Change in net assets from operations	(113,181)	(72,059)	(185,240)	(87,395)
Non-operating activities:				
Investment income, net of fees	1,146,458	414,221	1,560,679	1,571,747
Net realized and change in unrealized gain on investments	5,175,756	1,898,815	7,074,571	6,115,521
Change in value of split-interest agreements	-	149,416	149,416	193,950
Investment return appropriated from endowment for operations	(3,192,818)	(416,396)	(3,609,214)	(3,660,265)
Change in net assets from non-operations	3,129,396	2,046,056	5,175,452	4,220,953
Change in net assets	3,016,215	1,973,997	4,990,212	4,133,558
Net assets, beginning of year	64,686,786	24,654,151	89,340,937	85,207,379
Net assets, ending of year	\$ 67,703,001	\$ 26,628,148	\$ 94,331,149	\$ 89,340,937

See accompanying notes to consolidated financial statements.

PALM HEALTHCARE FOUNDATION, INC.
d/b/a PALM HEALTH FOUNDATION

CONSOLIDATED STATEMENT
OF CASH FLOWS

For the Year Ended June 30, 2025

(with comparable totals for 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from contributions, grants, and pledges	\$ 1,823,292	\$ 1,499,963
Cash received from rental and trust income	610,875	603,588
Cash received from conference, event, and other income	21,069	29,616
Cash received from appropriation of endowment assets	3,609,214	3,660,265
Cash paid for grants and program services and supporting services	<u>(5,923,042)</u>	<u>(5,850,513)</u>
Net cash provided by (used in) operating activities	<u>141,408</u>	<u>(57,081)</u>
Cash flows from investing activities:		
Investment income, net of fees	1,560,679	1,571,747
Proceeds from sale of investments	96,622,962	53,807,824
Purchase of investments	(94,628,927)	(51,850,534)
Appropriation of endowment assets for expenditures	(3,609,214)	(3,660,265)
Purchase of property and equipment	<u>(135,245)</u>	<u>(40,443)</u>
Net cash used in investing activities	<u>(189,745)</u>	<u>(171,671)</u>
Cash flows from financing activities:		
Tenant deposits applied	-	(10,640)
Principal payments on financing lease obligation	<u>(1,327)</u>	<u>(2,447)</u>
Net cash used in financing activities	<u>(1,327)</u>	<u>(13,087)</u>
Change in cash and cash equivalents	(49,664)	(241,839)
Cash and cash equivalents, beginning of year	<u>626,270</u>	<u>868,109</u>
Cash and cash equivalents, end of year	<u><u>\$ 576,606</u></u>	<u><u>\$ 626,270</u></u>

See accompanying notes to consolidated financial statements.

PALM HEALTHCARE FOUNDATION, INC.
d/b/a PALM HEALTH FOUNDATION

CONSOLIDATED STATEMENT
OF CASH FLOWS

For the Year Ended June 30, 2025

(with comparable totals for 2024)

	<u>2025</u>	<u>2024</u>
Reconciliation of change in net assets from operations to net cash provided by (used in) operating activities:		
Change in net assets from operations	\$ (185,240)	\$ (87,395)
Adjustments to reconcile change in net assets from operations to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	326,293	324,736
Lease expense	34,356	30,060
(Increase) decrease in operating assets:		
Prepaid expenses and other assets	94,375	(75,428)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	86,225	(18,959)
Grants payable	(200,000)	(200,000)
Operating lease obligation	(14,601)	(30,095)
Net cash provided by (used in) operating activities	<u>\$ 141,408</u>	<u>\$ (57,081)</u>

See accompanying notes to consolidated financial statements.

PALM HEALTHCARE FOUNDATION, INC.
d/b/a PALM HEALTH FOUNDATION

**CONSOLIDATED STATEMENT
OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2025

(with comparable totals for 2024)

	Grants and Program Services			Supporting Services			2025 Totals	2024 Totals
	Grant Making	5205 Building, LLC	Total Grants and Program Services	General and Administrative	Fundraising	Total Supporting Services		
Salaries and wages	\$ 828,236	\$ -	\$ 828,236	\$ 363,823	\$ 222,336	\$ 586,159	\$ 1,414,395	\$ 1,400,153
Payroll taxes	59,075	-	59,075	24,392	14,695	39,087	98,162	93,591
Employee benefits	175,112	-	175,112	81,724	36,489	118,213	293,325	238,027
Total salary and related	1,062,423	-	1,062,423	469,939	273,520	743,459	1,805,882	1,731,771
Community outreach	290,954	-	290,954	481	-	481	291,435	303,727
Consulting and contract labor	184,814	-	184,814	389	-	389	185,203	302,899
Donor recognition	1,499	-	1,499	16	4,402	4,418	5,917	5,505
Dues and memberships	1,749	-	1,749	7,625	2,925	10,550	12,299	13,059
Grants to others	2,790,422	-	2,790,422	-	-	-	2,790,422	2,451,278
Insurance	-	73,668	73,668	22,580	-	22,580	96,248	102,419
Meeting and event expense	80,876	-	80,876	1,537	26,436	27,973	108,849	98,539
Miscellaneous	-	436	436	1,017	-	1,017	1,453	7,903
Office supplies	2,854	47	2,901	5,114	980	6,094	8,995	13,521
Printing and postage	3,182	-	3,182	504	2,639	3,143	6,325	4,118
Professional fees	-	-	-	46,367	-	46,367	46,367	41,800
Property taxes	-	24,458	24,458	-	-	-	24,458	16,142
Rent - building and equipment	-	-	-	132,490	-	132,490	132,490	115,147
Repairs and maintenance	39,461	157,888	197,349	86,575	7,640	94,215	291,564	212,288
Training and education	9,477	-	9,477	496	3,146	3,642	13,119	24,893
Travel and related	10,321	-	10,321	398	8,861	9,259	19,580	22,816
Utilities	2,700	71,232	73,932	7,434	1,746	9,180	83,112	84,122
Volunteer and employee recognition	150	-	150	1,663	-	1,663	1,813	4,144
Indirect administrative allocation	207,492	-	207,492	(233,428)	25,936	(207,492)	-	-
	4,688,374	327,729	5,016,103	551,197	358,231	909,428	5,925,531	5,556,091
Depreciation and amortization	-	311,849	311,849	14,444	-	14,444	326,293	324,736
Total expenses	<u>\$ 4,688,374</u>	<u>\$ 639,578</u>	<u>\$ 5,327,952</u>	<u>\$ 565,641</u>	<u>\$ 358,231</u>	<u>\$ 923,872</u>	<u>\$ 6,251,824</u>	<u>\$ 5,880,827</u>

See accompanying notes to consolidated financial statements.

For the Year Ended June 30, 2025

1. Business and Summary of Significant Accounting Policies

Presentation

The accompanying financial statements reflect the consolidated financial statements of Palm Healthcare Foundation, Inc. ("PHF") and 5205 Building, LLC. ("LLC") (collectively the "Foundation"). All intercompany balances and transactions were eliminated in this consolidation unless otherwise indicated.

Organization

Palm Healthcare Foundation, Inc. (d/b/a Palm Health Foundation) is a not-for-profit corporation that was incorporated under the laws of the State of Florida on June 26, 2001, as the result of a merger between St. Mary's Hospital Foundation, Inc. and Intracoastal Health Foundation, Inc. PHF is a non-profit 501(c)(3) organization dedicated to promoting and supporting the healthcare of the residents of Palm Beach County, Florida, and its surrounding areas through grants, gifts, donations or charitable contributions to organizations and programs performing these services.

5205 Building, LLC was created in August 2005, as a single member LLC with PHF as the only member. The LLC owns a building with leased land and rents various spaces within the building.

Basis of Accounting

The accompanying consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned, and expenses when the corresponding liability is incurred.

Consolidated Financial Statement Presentation

The Foundation's consolidated financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Presentation of Financial Statements*. This standard requires the classification of the Foundation's financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions: this classification includes those net assets whose use by the Foundation is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transactions (except income and gains on assets that are restricted by donors or by law) are included in the net asset without donor restrictions class.

Net Assets with Donor Restrictions: this classification includes those net assets whose use by the Foundation has been limited by donors to either a later period of time, after a specified date, or for a specified purpose.

Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity as well as endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as net assets without donor restrictions, per endowment agreements.

For the Year Ended June 30, 2025

1. Business and Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers cash and cash equivalents to include short-term, highly liquid investments, which are readily convertible to cash. However, cash and cash equivalents that are maintained by the Foundation's investment managers are part of the Foundation's long-term investment policy and are classified as investments.

The Foundation has board-designated funds set aside in cash as a contingency fund for 5205 Building, LLC. As of June 30, 2025, the balance of the contingency fund was approximately \$268,900.

Contributions Receivable

In accordance with FASB ASC Topic 958-605, *Revenue Recognition*, the Foundation records unconditional promises to give when received. These unconditional promises to give are recorded at their net realized value when the unconditional promises to give are made and are expected to be collected within one year. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using the present value of their estimated future cash flows. The discounts on those amounts are computed using an interest rate applicable to the years in which the promises are received. The Foundation uses the allowance method of recognizing uncollectible promises to give by estimating the portion of uncollectible promises to give based upon past experience and management's analysis of specific promises made. As of June 30, 2025, the Foundation had no allowance for uncollectible promises to give.

Investments

Investments include equity and fixed income securities and money market funds that are reported at fair value as determined by quoted market prices. The Foundation contracts with investment managers to perform ongoing investment functions and investment performance monitoring, and to invest according to the investment guidelines established by the Foundation's Finance and Investment Committee and approved by the Board of Trustees. All securities are held by a trust company for the benefit of the Foundation.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on the sale of marketable securities are calculated using the specific-identification method. Change in unrealized gains and losses represents the change in the fair value of the individual investments for the year, or since the acquisition date, if acquired during the year. Investment income is reported net of investment management fees.

For the Year Ended June 30, 2025

1. Business and Summary of Significant Accounting Policies, continued

Investments, continued

The Foundation uses pooling principles to account for certain investments whereby the individual funds of the Foundation share investment earnings, as well as realized and change in unrealized appreciation (depreciation) on investments, based on each fund's pro rata share of the total dollar amount of all funds in the pool.

Property and Equipment

Property and equipment are recorded at cost if purchased, or fair value if donated, and depreciated on the straight-line method over useful lives of three to thirty years. Additions, improvements, and expenditures that exceed \$2,500 and significantly add to the productivity or extend the economic life of assets are capitalized. Amounts incurred as recurring expenditures for repairs and maintenance are expensed.

On July 14, 2006, 5205 Building, LLC purchased a building and a 50-year ground lease in West Palm Beach, Florida for \$2,514,294, of which \$655,000 was allocated to the ground lease. The ground lease is being amortized over the 50-year life of the lease with the associated amortization expense included with depreciation in the accompanying consolidated financial statements.

Grants Payable

The Foundation records grants payable when the Board of Trustees approves the grants and the grantee agrees to terms of the agreement.

Contributions, including Unconditional Promises to Give

The Foundation accounts for contributions in accordance with the provisions of FASB ASC 958-605, *Revenue Recognition*. In accordance with this standard, contributed goods and services, which meet certain criteria, are recorded as contributions at their estimated fair value at date of receipt.

The Foundation reports gifts as support without donor restrictions unless they are received with donor stipulations that limit the use of the gift. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from restrictions.

Donated Services

The Foundation follows FASB ASC 958-605, *Revenue Recognition*, for donated services from volunteers and professionals who donate their services. Donated services should be recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. No donated services were received during the year ended June 30, 2025.

For the Year Ended June 30, 2025

1. **Business and Summary of Significant Accounting Policies, continued**

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and according to natural classification in the Consolidated Statement of Functional Expenses. Accordingly, direct costs have been charged to the specific program or supporting service as incurred and non-direct costs have been allocated among the programs and supporting services benefited. Salaries and other related expenses are allocated based on studies of personnel time. Occupancy and related costs are allocated based on studies of relative space utilization and the benefit provided.

Advertising

Advertising costs are primarily used to educate and promote healthy behaviors and activities to help residents achieve their full health potential. Advertising costs are expensed when incurred and are included in the category of community outreach in the consolidated statement of functional expenses. The total advertising expense for the year ended June 30, 2025 was approximately \$291,400.

Income Taxes

Palm Healthcare Foundation, Inc. is exempt from income taxes under Section 501(a)(3) of the Internal Revenue Code. 5205 Building, LLC is a single member LLC and is treated as a disregarded entity for income tax purposes. Therefore, no provision for income taxes has been made in these consolidated financial statements. In addition, PHF qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income during the year ended June 30, 2025.

The Foundation follows FASB ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*. This pronouncement seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Foundation assesses its income tax positions based on management's evaluation of the facts, circumstances, and information available at the reporting date. The Foundation uses the prescribed "more likely than not" threshold when making its assessment. The Foundation has not accrued any interest expense or penalties related to tax positions for the year ended June 30, 2025, and there are currently no open Federal or State tax years under audit.

For the Year Ended June 30, 2025

1. Business and Summary of Significant Accounting Policies, continued

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2024, from which the summarized information was derived. Certain 2024 amounts may have been reclassified to conform to 2025 classifications. Such reclassifications would have no effect on the change in net assets as previously reported.

2. Liquidity and Availability of Resources

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, are as follows:

Cash and cash equivalents	<u>\$ 576,606</u>
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The Foundation is primarily supported by contributions and annual endowment draws. As part of the Foundation's liquidity management, it structures financial assets to be available as its general expenditures, liabilities, and other obligations come due. Some of the Foundation's net assets with donor restrictions are available for general expenditure within one year of June 30, 2025 because the restrictions on the net assets are expected to be met by conducting the normal program activities of the Foundation in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The endowment is subject to an annual spending rate of 4.5 percent as described in Note 4. As of June 30, 2025, \$3,503,701 of appropriations from the endowment will be available within the next 12 months. Although the Foundation does not intend to spend from this endowment (other than amounts appropriated for general expenditures as part of the Board's annual budget approval and appropriation), these amounts could be made available in the event of unanticipated financial distress or an immediate liquidity need.

3. Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value and provides 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 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

For the Year Ended June 30, 2025

3. Fair Value Measurements, continued

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair Value of Financial instruments: The following methods and assumptions were used by the Foundation in estimating fair value of financial instruments that are not disclosed under ASC 820.

Cash and cash equivalents – The carrying amount reported approximates fair value.

Accounts payable and accrued expenses and grants payable – The carrying amount reported approximates fair value due to the short-term duration of the instrument.

Lease obligations – The carrying amount reported approximates fair value as the stated interest rates approximate market rates.

Items Measured at Fair Value on a Recurring Basis: The following methods and assumptions were used by the Foundation in estimating fair value of financial instruments that are measured at fair value on a recurring basis under ASC 820.

Investments:

- *Cash equivalents contained in investments and accrued income* – Valued according to the market quotation provided by the custodian as of the close of business as of June 30, 2025.
- *Fixed income securities* – Valued at quoted market price of securities by the custodian as of the close of business as of June 30, 2025.
- *Equity securities* – Valued at quoted market price of securities by the custodian as of the close of business as of June 30, 2025.
- *Alternative securities* – Valued at quoted market price of securities by the custodian as of the close of business as of June 30, 2025.

For the Year Ended June 30, 2025

3. Fair Value Measurements, continued

Split-interest agreements:

- *Charitable remainder trusts* – Valued at the fair value of the investments of the trust as quoted on a national exchange, less the present value of future cash distributions to be paid over the life expectancy of designated beneficiaries, discounted at rates that approximate current market rates.
- *Perpetual income trusts* – Valued at the undiscounted fair value of trust assets.

FASB ASC 825-10, *Financial Instruments*, provides a fair value option election that allows entities to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur. The Foundation's split-interest agreements have been selected for this fair value election. There have been no changes in the methodologies used as of June 30, 2025. The following table sets forth by level, within the fair value hierarchy, the Foundation's investments and split-interest agreements as of June 30, 2025:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents:				
Mutual funds, money market	\$ 2,670,046	\$ -	\$ -	\$ 2,670,046
Fixed income securities:				
Corporate bonds	-	6,987,843	-	6,987,843
US Treasury bonds	6,898,705	-	-	6,898,705
Mutual funds	4,220,210	-	-	4,220,210
Mortgage-backed securities	-	4,720,978	-	4,720,978
Total fixed income securities	11,118,915	11,708,821	-	22,827,736
Equity securities:				
Stocks	34,202,127	-	-	34,202,127
Mutual funds	26,473,727	-	-	26,473,727
Total equity securities	60,675,854	-	-	60,675,854
Alternative securities:				
Mutual funds	81,869	-	-	81,869
Accrued income	142,556	-	-	142,556
Total investments	73,194,153	13,203,908	-	86,398,061
Split-interest agreements:				
Charitable remainder trusts	-	-	184,362	184,362
Perpetual income trusts	-	-	3,018,579	3,018,579
Total split-interest agreements	-	-	3,202,941	3,202,941
Total assets, at fair value	\$ 73,194,153	\$ 13,203,908	\$ 3,202,941	\$ 89,601,002

For the Year Ended June 30, 2025

3. Fair Value Measurements, continued

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2025.

	<u>Charitable Remainder Trusts</u>	<u>Perpetual Income Trusts</u>	<u>Total</u>
Balance, beginning of year	\$ 179,779	\$ 2,873,746	\$ 3,053,525
Contributions / settlements	-	-	-
Change in value	<u>4,583</u>	<u>144,833</u>	<u>149,416</u>
Balance, end of year	<u>\$ 184,362</u>	<u>\$ 3,018,579</u>	<u>\$ 3,202,941</u>

FASB ASC 820-10 requires disclosure of quantitative information about the unobservable inputs used to measure Level 3 assets and liabilities. The following table provides information about Level 3 assets:

	<u>Fair Value</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>
Charitable remainder trusts	\$ 184,362	Discounted cash flows, 3 rd party valuation pricing	Life expectancy, discount rate and estimated growth
Perpetual income trusts	<u>3,018,579</u>	Percentage of fair value of assets held in trust	Discount rate
Total Level 3 assets, at fair value	<u>\$ 3,202,941</u>		

4. Endowments

FASB ASC 958-205, *Presentation of Financial Statements*, provides guidance on the net asset classification of donor restricted endowment funds and also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated funds). The State of Florida follows the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA), which a) provides consistent investment and spending standards to all forms of charitable funds, b) strengthens the concept of prudent investing, c) abandons historic dollar value as a floor for expenditures and provides more flexibility to the organization in making decisions about whether to expend any portion of an endowment fund, and d) provides a process for the release or modification of restrictions on a gift instrument.

The Board of Trustees has interpreted the current guidance in effect under FUPMIFA, along with the Foundation's Articles of Incorporation and By-Laws (governing documents), and gift instruments (fund agreements), as requiring the preservation of the original value of the gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

For the Year Ended June 30, 2025

4. Endowments, continued

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation (depreciation) of investments
- The investment policies and other resources of the organization

Endowment net assets by type of fund as of June 30, 2025, consisted of the following:

	<u>Board Designated Endowment</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investments	<u>\$ 63,253,959</u>	<u>\$ 23,144,102</u>	<u>\$ 86,398,061</u>

Changes in endowment net assets for the year ended June 30, 2025, consisted of the following:

	<u>Board Designated Endowment</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 59,875,264</u>	<u>\$ 21,442,261</u>	<u>\$ 81,317,525</u>
Investment return:			
Investment income, net of fees	1,146,458	414,221	1,560,679
Net appreciation	<u>5,175,756</u>	<u>1,898,815</u>	<u>7,074,571</u>
Total investment return	<u>6,322,214</u>	<u>2,313,036</u>	<u>8,635,250</u>
Contributions	<u>-</u>	<u>54,500</u>	<u>54,500</u>
Appropriation of endowment assets for expenditures	<u>(2,943,519)</u>	<u>(665,695)</u>	<u>(3,609,214)</u>
Endowment net assets, end of year	<u>\$ 63,253,959</u>	<u>\$ 23,144,102</u>	<u>\$ 86,398,061</u>

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 Foundation to retain as a fund of perpetual duration. When deficiencies occur, unless allowed by the agreement, the Foundation does not appropriate expenditures from funds with deficiencies until the historical value is restored. These fund deficiencies are reported as reductions in net assets without donor restrictions. As of June 30, 2025, there were no funds with deficiencies.

For the Year Ended June 30, 2025

4. Endowments, continued

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy the endowment assets are invested in a manner that is intended to produce results assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time and considering a total return approach, to provide an annual return of 7%-7.5% net of fees. Actual returns in a given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and change in unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4.5% of the twelve-quarter moving average, excluding the highest and lowest quarters for that period, at the March 31st closing fair value of its endowment funds, to the extent there are no donor restrictions on the funds. However, the Board of Trustees being governed by prudent investment management may override the formula and apply a different distribution amount, as provided by the Bylaws of the Foundation and applicable Florida law, if operating circumstances dictate.

5. Investments

A summary of the Foundation's investments as of June 30, 2025, is as follows:

	<u>%</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash and cash equivalents	3%	\$ 2,670,046	\$ 2,670,046	\$ -
Fixed income securities	27%	22,827,736	22,872,883	(45,147)
Equity funds and securities	70%	60,675,854	57,013,737	3,662,117
Alternative securities	- %	81,869	78,000	3,869
Accrued income	- %	142,556	142,556	-
	100%	<u>\$ 86,398,061</u>	<u>\$ 82,777,222</u>	<u>\$ 3,620,839</u>

Investment income consisted of dividends and interest, and is shown net of fees in the accompanying Consolidated Statement of Activities. Investment management fees for the year ended June 30, 2025, were approximately \$337,100.

For the Year Ended June 30, 2025

6. Property and Equipment

Property and equipment, as of June 30, 2025, consisted of the following:

Building	\$ 8,560,049
Furniture and equipment	590,283
Leasehold improvements	297,209
Land improvements	47,185
Ground lease	<u>655,000</u>
	10,149,726
Less accumulated depreciation and amortization	<u>5,691,015</u>
Total	<u>\$ 4,458,711</u>

Depreciation and amortization expense for the year ended June 30, 2025 was approximately \$326,300, including approximately \$13,100 for the ground lease.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses, as of June 30, 2025, consisted of accrued payroll and related benefits.

8. Leases

Financing Leases

The Foundation leases office equipment under a financing lease that expires in June 2029. The asset and liability under the financing lease were recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The asset is amortized over the shorter of the lease terms or the estimated useful lives of the assets. Amortization of the asset under the financing lease amounted to \$2,075 during the year ended June 30, 2025, and is included in depreciation expense in the accompanying consolidated financial statements.

Minimum future lease payments under the financing lease as of June 30, 2025, for each of the next four years are:

2026	\$ 1,921
2027	1,921
2028	1,921
2029	<u>1,762</u>
	7,525
Less amount representing interest	<u>1,098</u>
Present value of future lease payments	6,427
Less current portion	<u>1,444</u>
Non-current portion	<u>\$ 4,983</u>

For the Year Ended June 30, 2025

8. Leases, continued

The lease discount for the office equipment has been calculated using interest rates from 8.50%, which approximate the incremental borrowing rate of the Foundation at the time the leases were measured. The weighted-average lease term for the office equipment lease is 3.92 years.

Operating Lease as Lessee

The Foundation leases office space for its administrative office in West Palm Beach, Florida, under a non-cancelable lease arrangement that expires in July 2033. The lease requires monthly basic rent payments of \$3,880, plus a proportionate common area maintenance (CAM) cost. The basic rent payments will be increased at the beginning of each year by 5% over the basic rent payable in the previous lease year.

Operating right-of-use assets as of June 30, 2025, consisted of the following:

Office space	\$ 381,961
Less accumulated depreciation	<u>54,671</u>
Total operating right-of-use assets	<u>\$ 327,290</u>

Operating lease obligations as of June 30, 2025, consisted of the following:

Office space	\$ 347,045
Less current portion	<u>25,235</u>
Non-current portion	<u>\$ 321,810</u>

Undiscounted future lease payments under operating leases as of June 30, 2025, for each of the next five years are:

2026	\$ 48,671
2027	51,091
2028	53,635
2029	56,301
2030	59,091
Thereafter	<u>201,256</u>
	470,045
Less discount to present value	<u>123,000</u>
Present value of future lease payments	347,045
Less current portion	<u>25,235</u>
Non-current portion	<u>\$ 321,810</u>

Operating lease expense for the year ended June 30, 2025, consisted of the following:

	<u>Depreciation</u>	<u>Finance Charges</u>	<u>Total</u>
Office space	<u>\$ 34,356</u>	<u>\$ 26,559</u>	<u>\$ 60,915</u>

For the Year Ended June 30, 2025

8. Leases, continued

Operating Lease as Lessee, continued

Discount for the office space has been calculated using an interest of 7.50%, which approximates the incremental borrowing rates of the Foundation for the acquisition of the related asset at the time the lease was signed.

Additional rent expense not reported under FASB ASC 842 for the year ended June 30, 2025, amounted to \$71,575, and consisted of variable payments like CAM and other operating expenses. Lease and additional rent expense are reported in the consolidated statement of functional expenses under rent – building and equipment.

Operating Leases as Lessor

In February 2019, the Foundation entered into an 86-month lease agreement with a third party for 2,068 square feet of space in its 5205 building. The starting monthly rental payment is approximately \$4,136 and increases every year thereafter. The lease provided a rent abatement for the first two months.

In February 2019, the Foundation entered into an 88-month lease agreement with a third party for 4,602 square feet of space in its 5205 building. The starting monthly rental payment is approximately \$9,204 and increases every year thereafter.

In February 2022, the Foundation entered into a 120-month lease agreement with a third party for 4,063 square feet of space in its 5205 building. The starting monthly rental payment is approximately \$7,110 and increases every year beginning in the third year and thereafter.

In February 2023, the Foundation entered into a 66-month lease agreement with a third party for 2,648 square feet of space in its 5205 building. The starting monthly rental payment is approximately \$5,296 and increases every year thereafter. The lease provided a rent abatement for the first six months.

The approximate minimum future rentals to be received under these leases as of June 30, 2025 are as follows:

2026	\$ 353,300
2027	280,100
2028	171,000
2029	104,700
2030	101,200
Thereafter	<u>166,000</u>
Total	<u>\$ 1,176,300</u>

Approximately 16% of the total office space is provided free of charge to one unrelated not-for-profit organization as part of the Foundation’s mission to promote healthcare. The estimated fair value of the granted rent is approximately \$84,000 for the year ended June 30, 2025.

For the Year Ended June 30, 2025

9. Net Assets and Restrictions

As of June 30, 2025, the Foundation held net assets with donor restrictions for the following purposes or periods:

Subject to expenditures for a specific purpose:	
Scholarships	\$ 124,383
Donor advised funds	48,827
Grants to other organizations	<u>107,895</u>
Total purpose restrictions	<u>281,105</u>
Subject to the passage of time:	
Split-interest agreements	<u>3,202,941</u>
Subject to endowment spending policy and appropriation:	
Scholarships	3,394,601
Donor advised funds	2,582,392
Grants to other organizations	<u>17,167,109</u>
Total endowment	<u>23,144,102</u>
Total net assets with donor restrictions	<u>\$ 26,628,148</u>

10. Pension Plan

The Foundation sponsors a retirement plan under the provisions of 403(b) of the Internal Revenue Code covering substantially all full-time employees. Under the terms of the plan, employees are eligible to participate upon hire. The Foundation also has an employer contribution benefit plan for eligible employees upon completing one year of service. The program has a three-year vesting schedule. Upon separation, employees, who have completed three years of service under the terms of the plan, will receive the employer's contribution as well as all of their individual contributions. The employer contribution is 6% of the employee's gross compensation, limited to a maximum of \$8,400 annually. The Foundation contributed approximately \$64,400 to the pension plan for the year ended June 30, 2025.

11. Business and Credit Concentration

The Foundation maintains its cash in bank deposit and brokerage accounts, which, at times, may exceed federally insured limits. Bank deposit accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2025, bank deposit accounts exceeded the FDIC limits by approximately \$468,000. Balances at brokerage accounts are guaranteed by the Securities Investor Protection Corporation (SIPC) up to \$500,000, which includes a \$250,000 limit for cash. As of June 30, 2025, the security balances exceeded the SIPC insurance limit.

The Foundation minimizes its risk by depositing cash in financial institutions that management believes to be in sound financial condition. The Foundation has not experienced any losses of such funds and management believes the Foundation is not exposed to significant risk on cash and cash equivalents.

For the Year Ended June 30, 2025

12. Subsequent Events

Date of Management Evaluation

Management has evaluated subsequent events through December 21, 2025, the date on which the consolidated financial statements were available to be issued, and determined there were no events to disclose in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

PALM HEALTHCARE FOUNDATION, INC.
d/b/a PALM HEALTH FOUNDATION

CONSOLIDATING STATEMENT
OF FINANCIAL POSITION

As of June 30, 2025

	Palm Healthcare Foundation, Inc.	5205 Building, LLC	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 199,571	\$ 377,035	\$ -	\$ 576,606
Prepaid expenses and other assets	10,277	-	-	10,277
Total current assets	209,848	377,035	-	586,883
Investments, endowment	86,398,061	-	-	86,398,061
Investment in 5205 Building, LLC	4,660,775	-	(4,660,775)	-
Split-interest agreements	3,202,941	-	-	3,202,941
Property and equipment, net	25,921	4,432,790	-	4,458,711
Right-of-use assets:				
Operating lease, net	327,290	-	-	327,290
Financing lease, net	6,096	-	-	6,096
Total assets	<u>\$ 94,830,932</u>	<u>\$ 4,809,825</u>	<u>\$ (4,660,775)</u>	<u>\$ 94,979,982</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 146,311	\$ 94,564	\$ -	\$ 240,875
Lease obligations, current portion:				
Operating lease	25,235	-	-	25,235
Financing lease	1,444	-	-	1,444
Total current liabilities	172,990	94,564	-	267,554
Lease obligations:				
Operating lease	321,810	-	-	321,810
Financing lease	4,983	-	-	4,983
Rent deposits	-	54,486	-	54,486
Total liabilities	499,783	149,050	-	648,833
Net assets	<u>94,331,149</u>	<u>4,660,775</u>	<u>(4,660,775)</u>	<u>94,331,149</u>
Total liabilities and net assets	<u>\$ 94,830,932</u>	<u>\$ 4,809,825</u>	<u>\$ (4,660,775)</u>	<u>\$ 94,979,982</u>

See independent auditor's report.

PALM HEALTHCARE FOUNDATION, INC.
d/b/a PALM HEALTH FOUNDATION

**CONSOLIDATING STATEMENT
OF ACTIVITIES**

For the Year Ended June 30, 2025

	Palm Healthcare Foundation, Inc.	5205 Building, LLC	Eliminations	Consolidated
Revenues, gains and support:				
Contributions, grants and pledges	\$ 1,825,426	\$ -	\$ -	\$ 1,825,426
Rental income	-	343,023	-	343,023
Trust income	267,852	-	-	267,852
Conference, event and other income	9,113	11,956	-	21,069
Investment return appropriated from endowment for operations	3,609,214	-	-	3,609,214
Total revenues and support	<u>5,711,605</u>	<u>354,979</u>	<u>-</u>	<u>6,066,584</u>
Expenses:				
Grants and program services	4,688,374	639,578	-	5,327,952
Support services:				
General and administrative	565,641	-	-	565,641
Fundraising	358,231	-	-	358,231
Total expenses	<u>5,612,246</u>	<u>639,578</u>	<u>-</u>	<u>6,251,824</u>
Change in net assets from operations	<u>99,359</u>	<u>(284,599)</u>	<u>-</u>	<u>(185,240)</u>
Non-operating activities:				
Investment income, net of fees	1,560,679	-	-	1,560,679
Net realized and change in unrealized gain on investments	7,074,571	-	-	7,074,571
Change in value of split-interest agreements	149,416	-	-	149,416
Change in value of investment in 5205 Building, LLC	(284,599)	-	284,599	-
Investment return appropriated from endowment for operations	(3,609,214)	-	-	(3,609,214)
Change in net assets from non-operations	<u>4,890,853</u>	<u>-</u>	<u>284,599</u>	<u>5,175,452</u>
Change in net assets	4,990,212	(284,599)	284,599	4,990,212
Net assets, beginning of year	<u>89,340,937</u>	<u>4,945,374</u>	<u>(4,945,374)</u>	<u>89,340,937</u>
Net assets, ending of year	<u>\$ 94,331,149</u>	<u>\$ 4,660,775</u>	<u>\$ (4,660,775)</u>	<u>\$ 94,331,149</u>

See independent auditor's report.