



AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2024**

**A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOL**

Matrix for Success Academy (Charter No. 1961)

**PAZLO EDUCATION FOUNDATION
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JUNE 30, 2024**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
PazLo Education Foundation
Los Angeles, California

Report on the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 PazLo Education Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 PazLo Education Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 PazLo Education Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PazLo Education Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Local Education Agency Organization Structure but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2024, on our consideration of PazLo Education Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PazLo Education Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PazLo Education Foundation's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 14, 2024

PAZLO EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,856,831
Accounts receivable	1,097,735
Prepaid expenses	<u>179,072</u>
Total current assets	<u>3,133,638</u>
Noncurrent assets	
Right-of-use asset	1,973,966
Deposits	41,703
Capital assets, net	<u>118,274</u>
Total noncurrent assets	<u>2,133,943</u>
Total Assets	<u>\$ 5,267,581</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 299,096
Operating lease liability	1,948,937
Deferred revenue	<u>888,183</u>
Total liabilities	<u>3,136,216</u>
Net assets	
Without donor restrictions	<u>2,131,365</u>
Total net assets	<u>2,131,365</u>
Total Liabilities and Net Assets	<u>\$ 5,267,581</u>

The notes to the financial statements are an integral part of this statement.

**PAZLO EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 3,303,421
Federal revenues	767,628
Other state revenues	421,245
Total federal and state support and revenues	<u>4,492,294</u>
Local support and revenues	
Payments in lieu of property taxes	927,660
Grants and donations	12,284
Other local revenues	60,305
Total local support and revenues	<u>1,000,249</u>
Total Support and Revenues	<u>5,492,543</u>
EXPENSES	
Program services	4,954,977
Management and general	1,429,219
Total Expenses	<u>6,384,196</u>
CHANGE IN NET ASSETS	(891,653)
Net Assets - Beginning	<u>3,023,018</u>
Net Assets - Ending	<u>\$ 2,131,365</u>

The notes to the financial statements are an integral part of this statement.

**PAZLO EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024**

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	\$ 2,339,578	\$ -	\$ 2,339,578
Non-certificated salaries	447,908	665,765	1,113,673
Pension plan contributions	428,439	469	428,908
Payroll taxes	77,446	53,050	130,496
Other employee benefits	575,205	135,416	710,621
Total personnel expenses	<u>3,868,576</u>	<u>854,700</u>	<u>4,723,276</u>
Non-personnel expenses			
Books and supplies	164,419	25,453	189,872
Insurance	36,600	44,225	80,825
Facilities	553,067	84,932	637,999
Professional services	172,730	311,104	483,834
Depreciation	18,342	18,651	36,993
Authorizing agency fees	95,916	-	95,916
Other operating expenses	45,327	90,154	135,481
Total non-personnel expenses	<u>1,086,401</u>	<u>574,519</u>	<u>1,660,920</u>
Total Expenses	<u>\$ 4,954,977</u>	<u>\$ 1,429,219</u>	<u>\$ 6,384,196</u>

The notes to the financial statements are an integral part of this statement.

**PAZLO EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (891,653)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	36,993
Lease expense - amortization of right-of-use asset	(25,288)
Loss on disposal of asset	39,698
(Increase) decrease in operating assets	
Accounts receivable	262,782
Prepaid expenses	(160,205)
Deposits	(26,703)
Increase (decrease) in operating liabilities	
Accounts payable	(692,093)
Deferred revenue	260,251
Net cash provided by (used in) operating activities	<u>(1,196,218)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(122,944)</u>
Net cash provided by (used in) investing activities	<u>(122,944)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,319,162)
Cash and cash equivalents - Beginning	<u>3,175,993</u>
Cash and cash equivalents - Ending	<u>\$ 1,856,831</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**PAZLO EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

PazLo Education Foundation (the “Organization”) was formed as a nonprofit public benefit corporation on October 20, 2011 for the purpose of operating California public schools located in Los Angeles. The Organization works with vulnerable student populations throughout the Los Angeles area with a goal to increase college opportunities for their students. The Organization operates one active public charter school, Matrix for Success Academy (“the Charter”).

Matrix for Success Academy (California Charter No. 1961) is authorized by the Los Angeles Unified School District. The current charter petition covers a five-year term expiring on June 30, 2023. As a result of AB 130 and SB 114, the charter petition end date is extended to June 30, 2026. Matrix for Success Academy was numbered by the State Board of Education as an independent start-up charter school in May 2018 with classes beginning in Fall 2018. Matrix for Success Academy serves grades 10 to 12 through nonclassroom-based instruction. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

The Organization previously operated APEX Academy (Charter No. 1459) that closed effective June 30, 2023. Although the school was no longer in operation in 2023-24, final close-out transactions were necessary and are included within the Organization's financial balances and transactions for the year. The combining financial statements in the supplementary information section present the activities of Matrix as well as other operations which includes for APEX Academy's close-out.

B. Basis of Accounting

The Organization’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, PazLo Education Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

The Organization also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is only used to the extent that internal accounting for multiple charter school operations is necessary and is not used for external financial statement presentation.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

E. Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as “net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

F. In Lieu of Property Tax Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to the Charter. Revenues are recognized by the Charter when earned.

G. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management’s estimates.

H. Cash and Cash Equivalents

PazLo Education Foundation considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Investments

The Organization’s method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management’s judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2024, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

PazLo Education Foundation has adopted a policy to capitalize asset purchases over \$1,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

L. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

M. Income Taxes

PazLo Education Foundation is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As an educational institution, the Organization is not required to register with the California Attorney General as a charity.

The Organization’s management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Organization’s information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

PAZLO EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

O. Lease Arrangements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, a new lease standard effective no later than the fiscal year 2022-23. Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee’s right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2024, consists of \$1,856,831 in cash in banks held in non-interest bearing accounts. As of June 30, 2024, \$1,651,497 of the PazLo Education Foundation’s bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at one or more banks. Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. PazLo Education Foundation does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2024, consists of the following:

Local control funding sources, state aid	\$	613,788
Federal sources		247,998
Other state sources		155,972
In lieu property tax payments		79,957
Other local sources		20
Total Accounts Receivable	\$	1,097,735

PAZLO EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2024 consists of the following:

	Balance July 1, 2023	Additions	Transfers	Disposals	Balance June 30, 2024
Property and equipment					
Site improvements	\$ -	\$ -	\$ (10,149)	\$ -	\$ (10,149)
Furniture and equipment	255,099	93,395	39,698	160,605	227,587
Total property and equipment	255,099	93,395	29,549	160,605	217,438
Less accumulated depreciation	(183,078)	(36,993)	-	(120,907)	(99,164)
Capital Assets, net	\$ 72,021	\$ 56,402	\$ 29,549	\$ 39,698	\$ 118,274

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2024, consists of the following:

Due to grantor government	\$ 117,012
Salaries and benefits	138,076
Vendor payables	40,647
Due to authorizing agency	3,361
Total Accounts Payable	\$ 299,096

NOTE 6 – OPERATING LEASE

In July 2022, the Organization entered into a property lease agreement for a term ending June 30, 2024. The Organization extended the property lease agreement to June 30, 2025. The site, located at 1046 East 34th Street in Los Angeles, California, is utilized by Matrix for Success Academy. On June 1, 2023, the Organization entered into a property lease agreement for a term ending June 30, 2026. The site, located at 975 S. Berendo St in Los Angeles, California, was utilized by APEX Academy. Due to the closure of APEX Academy the lease was terminated early as of June 30, 2024. In June 2024, the Organization entered into a property lease agreement for a term ending May 31, 2029. The site, located at 700 S Wilshire Blvd in Los Angeles, California, is utilized by Pazlo Foundation as office space. During the fiscal year ended June 30, 2024, the Organization paid \$540,802 in lease payments under these operating leases. At June 30, 2024, the right-of-use asset was \$1,943,912 and the operating lease liability was \$1,948,937.

The following table shows the present value of the operating lease liability as the actual lease payments less the implied discount rate and the right-of-use asset as the lease expense over the straight-line basis reduced by the implied discount rate. The Organization has accounted for its lease agreements using an implied discount rate of 2.83% and 2.87%. The associated asset and liability are amortized over the remaining term of the lease as follows:

Fiscal Year Ending June 30,	(a) Lease Expense	(b) Lease Payments	(c) Discount	(b) - (c) Operating Lease Liability	(a) - (c) Right-of-Use Asset
2025	\$ 777,603	\$ 761,966	\$ 63,362	\$ 698,604	\$ 714,241
2026	350,248	340,874	49,265	291,609	300,983
2027	340,248	340,800	35,963	304,837	304,285
2028	340,248	351,024	21,577	329,447	318,671
2029	311,892	330,600	6,160	324,440	305,732
Prepaid rent	-	-	-	-	30,054
Total	\$ 2,120,239	\$ 2,125,264	\$ 176,327	\$ 1,948,937	\$ 1,973,966

PAZLO EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 7 – DEFERRED REVENUE

Deferred revenue as of June 30, 2024, consists of the following:

Federal sources	\$ 384,929
State sources	503,254
Total Deferred Revenue	<u>\$ 888,183</u>

NOTE 8 – NET ASSETS

As of June 30, 2024, the Organization did not hold any net assets with donor restrictions. Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Organization. At June 30, 2024, the Organization’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 118,274
Undesignated	2,013,091
Total Net Assets without Donor Restrictions	<u>\$ 2,131,365</u>

As part of the charter petition with LAUSD, the Charter has to hold cash reserves equal to five percent of total expenditures or \$405,302 for the fiscal year ended June 30, 2024. Management holds this reserve amount within the undesignated amount of net assets without donor restrictions noted above and cash balances exceed the cash reserve limit.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of June 30, 2024, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial Assets	
Cash and cash equivalents	\$ 1,856,831
Accounts receivable	1,097,735
Prepaid expenses	179,072
Total Financial Assets, excluding noncurrent	<u>\$ 3,133,638</u>
Contractual or donor-imposed restrictions	
Reserves per charter petition	(319,210)
Cash restricted by others for specific uses	(888,183)
Financial Assets available to meet cash needs	
for expenditures within one year	<u>\$ 1,926,245</u>

NOTE 10 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers’ Retirement System (CalSTRS). Non-certificated employees or those who do not qualify to participate in CalSTRS are offered social security as an alternative plan.

**PAZLO EDUCATION FOUNDATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2024**

NOTE 10 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers’ Retirement System (CalSTRS)

Plan Description

PazLo Education Foundation contributes to the California State Teachers’ Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers’ Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 10.25% or 10.205% of their 2023-24 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2023-24 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Organization’s contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2023-24	\$ 425,670	100%
2022-23	\$ 516,944	100%
2021-22	\$ 441,138	100%

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for the Charter is estimated at \$261,587. The on-behalf payment amount is computed as the proportionate share of total 2022-23 State on-behalf contributions.

Defined Contribution Plan

The Organization offers a 401(k) retirement plan to each of its qualifying employees. Employer and employee contributions are used to purchase annuity contracts for each participant employee. Employer matching contributions are made at the rate equal to 100% of the first 3% of elective deferrals for each employee who is eligible for employer contributions. Additionally, the employer may elect to make a discretionary contribution for each qualifying employee for each plan year. The amount of employer contributions used to purchase annuity contracts for the year ended June 30, 2024 was \$3,238.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, the Charter operated by PazLo Education Foundation is approved to operate as a public charter school through authorization by the Los Angeles Unified School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code (EC) whereby the charter school whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the term expiration date was extended to June 30, 2025.

**PAZLO EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

Charter School Authorization (continued)

The Organization makes payments to the authorizing agency, to provide required services for special education in addition to fees for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees for oversight amounted to \$40,852 and total expenses for special education amounted to \$55,064 for the fiscal year ending June 30, 2024.

Governmental Funds

PazLo Education Foundation has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Management has closely monitored the use of federal funding and although federal revenues recorded during the fiscal year have exceeded \$750,000, a portion relates to revenues and expenditure from fiscal year 2022-23 for the closed charter school (APEX Academy); therefore, a Federal Single Audit is not applicable. Refer to reconciliation of federal revenues and expenditures below.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Activities		\$ 767,628
Emergency Connectivity Fund (ECF)	32.009	<u>(109,598)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 658,030</u>

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Organization’s voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Organization to make payments to the plan, which would approximate the Organization’s proportionate share of the multiemployer plan’s unfunded vested liabilities. CalSTRS has estimated that the Organization’s share of withdrawal liability is approximately \$3,413,370 as of June 30, 2023. The Organization does not currently intend to withdraw from CalSTRS. Refer to Note 10 for additional information on employee retirement plans.

Pending or Threatened Litigation

The Organization is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Organization as of June 30, 2024.

NOTE 12 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to PazLo Education Foundation in an effort to advance the Organization’s programs and objectives. These services have not been recorded in the Organization’s financial statements because they do not meet the criteria required by generally accepted accounting principles. The Organization did not receive any donated items during the year ended June 30, 2024.

NOTE 13 – SUBSEQUENT EVENTS

PazLo Education Foundation has evaluated subsequent events for the period from June 30, 2024 through December 14, 2024, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

PAZLO EDUCATION FOUNDATION
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

California Charter No.	1961		
	Matrix for Success	Other Operations	Organization Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,856,831	\$ -	\$ 1,856,831
Accounts receivable	1,097,735	-	1,097,735
Prepaid expenses	179,072	-	179,072
Total current assets	3,133,638	-	3,133,638
Noncurrent assets			
Right-of-use asset	1,973,966	-	1,973,966
Deposits	41,703	-	41,703
Capital assets, net	118,274	-	118,274
Total noncurrent assets	2,133,943	-	2,133,943
Total Assets	\$ 5,267,581	\$ -	\$ 5,267,581
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 299,096	\$ -	\$ 299,096
Operating lease liability	1,948,937	-	1,948,937
Deferred revenue	888,183	-	888,183
Total liabilities	3,136,216	-	3,136,216
Net assets			
Without donor restrictions	2,131,365	-	2,131,365
Total net assets	2,131,365	-	2,131,365
Total Liabilities and Net Assets	\$ 5,267,581	\$ -	\$ 5,267,581

**PAZLO EDUCATION FOUNDATION
COMBINING STATEMENT OF ACTIVITIES BY CHARTER
FOR THE YEAR ENDED JUNE 30, 2024**

California Charter No.	<u>1961</u>			
	Matrix for Success	Other Operations	Eliminations	Organization Total
NET ASSETS WITHOUT DONOR RESTRICTIONS				
SUPPORT AND REVENUES				
Federal and state support and revenues				
Local control funding formula, state aid	\$ 3,157,524	\$ 145,897	\$ -	\$ 3,303,421
Federal revenues	658,030	109,598	-	767,628
Other state revenues	421,245	-	-	421,245
Total federal and state support and revenues	4,236,799	255,495	-	4,492,294
Local support and revenues				
Payments in lieu of property taxes	927,660	-	-	927,660
Grants and donations	12,081	203	-	12,284
Interagency transfers	1,721,850	-	(1,721,850)	-
Other local revenues	43,702	16,603	-	60,305
Total local support and revenues	2,705,293	16,806	(1,721,850)	1,000,249
Total Support and Revenues	6,942,092	272,301	(1,721,850)	5,492,543
EXPENSES				
Program services	3,877,170	2,799,657	(1,721,850)	4,954,977
Management and general	1,429,219	-	-	1,429,219
Total Expenses	5,306,389	2,799,657	(1,721,850)	6,384,196
CHANGE IN NET ASSETS	1,635,703	(2,527,356)	-	(891,653)
Net Assets - Beginning	495,662	2,527,356	-	3,023,018
Net Assets - Ending	\$ 2,131,365	\$ -	\$ -	\$ 2,131,365

**PAZLO EDUCATION FOUNDATION
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2024**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

	<u>Second Period Report</u>	<u>Annual Report</u>
Matrix for Success Academy (Charter No. 1961)		
	<u>Nonclassroom-Based</u>	
Grade Span		
Ninth through twelfth	<u>238.51</u>	<u>245.36</u>
Total Average Daily Attendance - Nonclassroom-Based	<u>238.51</u>	<u>245.36</u>
Total Average Daily Attendance	<u>238.51</u>	<u>245.36</u>

Matrix for Success Academy had no Classroom-Based ADA in 2023-24.

**PAZLO EDUCATION FOUNDATION
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2024**

This schedule presents information on the number of instructional days offered per grade level by the Charter and whether the Charter complied with the provisions of *Education Code Section 47612.5*. The Charter only provided nonclassroom-based instruction; therefore, no annual instructional minutes by grade level are presented below.

<u>Grade Span</u>	<u>2023-24 Number of Days</u>	<u>Status</u>
Grade 10	180	Complied
Grade 11	180	Complied
Grade 12	180	Complied

**PAZLO EDUCATION FOUNDATION
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2024**

This schedule provides the information necessary to reconcile net position reported on the Annual Financial and Budget Report (Unaudited Actuals) within the Charter School Enterprise Fund to net assets on the audited financial statements.

June 30, 2024, net position in Charter Schools Enterprise Fund per Annual and Financial Budget Report (Unaudited Actuals)	<u>\$ 2,120,475</u>
Adjustments:	
Increase (decrease) in total net assets:	
Client adjustments after unaudited actuals	<u>10,890</u>
June 30, 2024, net assets per audited financial statements	<u>\$ 2,131,365</u>

OTHER INFORMATION

**PAZLO EDUCATION FOUNDATION
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2024**

This schedule provides information about the local education agency (LEA or charter school), including the Charter’s authorizing agency, grades served, members of the governing body, and members of the administration.

PazLo Education Foundation, located in Los Angeles, was formed as a nonprofit public benefit corporation on October 20, 2011. The Organization operates Matrix for Success Academy (Charter No. 1961). The charter school is authorized by the Los Angeles Unified School District. During 2023-24, the Charter served over 258 students in grades 10 to 12.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
June Getz	Co-Chair	July 25, 2024
Jody Molodow	Secretary	July 25, 2024
Mary Jane Wagle	Treasurer	July 24, 2024
Marla Mattenson	Member	December 12, 2024
Lynnette Jenkins	Member	July 24, 2024
Jesse Johnson	Member	August 1, 2025

ADMINISTRATION

Cesar Lopez
Executive Director

Margret Woelke
Executive Director

OTHER INDEPENDENT AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

To the Board of Directors of
PazLo Education Foundation
Los Angeles, California

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 PazLo Education Foundation (the "Organization") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Organization's financial statements and have issued our report thereon dated December 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Christy White, Inc.

San Diego, California
December 14, 2024

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER
COMPLIANCE FOR STATE PROGRAMS**Independent Auditors' Report

To the Board of Directors of
PazLo Education Foundation
Los Angeles, California

Report on State Compliance**Opinion on State Compliance**

We have audited PazLo Education Foundation's compliance with the requirements specified in the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to PazLo Education Foundation's state program requirements for the fiscal year ended June 30, 2024. Reference to PazLo Education Foundation within this letter is inclusive of Matrix for Success Academy (Charter No. 1961).

In our opinion, PazLo Education Foundation complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2024, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of PazLo Education Foundation and to meet certain 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 opinion on state compliance. Our audit does not provide a legal determination of PazLo Education Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to PazLo Education Foundation's state programs.

Auditor's Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PazLo Education Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists.

Auditor’s Responsibilities for the Audit for State Compliance (continued)

The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about PazLo Education Foundation's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 PazLo Education Foundation's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of PazLo Education Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of PazLo Education Foundation's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine PazLo Education Foundation’s compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
Expanded Learning Opportunities Program	Not applicable
Transitional Kindergarten	Not applicable
Charter Schools	
Attendance	Yes
Mode of Instruction	Not applicable
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes – Classroom Based	Not applicable
Charter School Facility Grant Program	Not applicable

“Not applicable” is used in the table above to indicate that the Charter either did not receive program funding or did not otherwise operate the program during the fiscal year.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies or material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 14, 2024

FINDINGS AND QUESTIONED COSTS SECTION

**PAZLO EDUCATION FOUNDATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2024**

PART I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

The Organization did not expend more than \$750,000 in federal awards; therefore, a Federal Single Audit under OMB Uniform Grant Guidance is not applicable.

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2023-24 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

All audit year findings, if any, are assigned an appropriate finding code as follows:

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**PAZLO EDUCATION FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

PART II – FINANCIAL STATEMENT FINDINGS

There were no audit findings related to the financial statements for the year ended June 30, 2024.

PART III – STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to state awards for the year ended June 30, 2024.

PART IV – SUMMARY OF PRIOR AUDIT FINDINGS

This section presents the status of actions taken by the Organization on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2023.