

PAZLO EDUCATION FOUNDATION

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2025**

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

Matrix for Success Academy (Charter No. 1961)



**MATRIX
FOR SUCCESS
ACADEMY**

**PAZLO EDUCATION FOUNDATION
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JUNE 30, 2025**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of 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, 2025, 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, 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 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 as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 January 12, 2026, 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.

Other Reporting Required by Government Auditing Standards (continued)

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
January 12, 2026

**PAZLO EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025**

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,319,383
Accounts receivable	986,183
Prepaid expenses	97,359
Total current assets	<u>3,402,925</u>
 Noncurrent assets	
Deposits	43,708
Right-of-use asset	1,259,726
Capital assets, net	124,014
Total noncurrent assets	<u>1,427,448</u>
Total Assets	<u>\$ 4,830,373</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 358,874
Deferred revenue	621,999
Operating lease liability	1,250,333
Total liabilities	<u>2,231,206</u>
 Net assets	
Without donor restrictions	<u>2,599,167</u>
Total net assets	<u>2,599,167</u>
Total Liabilities and Net Assets	<u>\$ 4,830,373</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, 2025**

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 3,283,797
Federal revenues	1,761,567
Other state revenues	413,740
Total federal and state support and revenues	<u>5,459,104</u>
Local support and revenues	
Payments in lieu of property taxes	1,075,905
Grants and donations	18,450
Investment income, net	244,226
Other local revenues	55,641
Total local support and revenues	<u>1,394,222</u>
Total Support and Revenues	<u>6,853,326</u>
EXPENSES	
Program services	4,544,075
Management and general	1,841,449
Total Expenses	<u>6,385,524</u>
CHANGE IN NET ASSETS	467,802
Net Assets - Beginning	<u>2,131,365</u>
Net Assets - Ending	<u>\$ 2,599,167</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, 2025**

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	\$ 2,371,777	\$ -	\$ 2,371,777
Non-certificated salaries	240,818	835,698	1,076,516
Pension plan contributions	442,895	793	443,688
Payroll taxes	66,417	68,206	134,623
Other employee benefits	555,947	177,832	733,779
Total personnel expenses	<u>3,677,854</u>	<u>1,082,529</u>	<u>4,760,383</u>
Non-personnel expenses			
Books and supplies	192,772	31,781	224,553
Insurance	-	79,915	79,915
Facilities	488,458	64,231	552,689
Professional services	67,939	425,473	493,412
Depreciation	2,481	41,113	43,594
Fees to authorizing agency	103,223	-	103,223
Other operating expenses	11,348	116,407	127,755
Total non-personnel expenses	<u>866,221</u>	<u>758,920</u>	<u>1,625,141</u>
Total Expenses	<u>\$ 4,544,075</u>	<u>\$ 1,841,449</u>	<u>\$ 6,385,524</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, 2025**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 467,802
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	43,594
Lease expense - amortization of right-of-use asset	15,636
(Increase) decrease in operating assets	
Accounts receivable	111,552
Prepaid expenses	81,713
Deposits	(2,005)
Increase (decrease) in operating liabilities	
Accounts payable	59,778
Deferred revenue	(266,184)
Net cash provided by (used in) operating activities	<u>511,886</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(49,334)</u>
Net cash provided by (used in) investing activities	<u>(49,334)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	462,552
Cash and cash equivalents - Beginning	<u>1,856,831</u>
Cash and cash equivalents - Ending	<u>\$ 2,319,383</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ -</u>

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

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 was numbered by the State Board of Education as California Charter No. 1961 in May 2018. The Charter serves grades 9 to 12 through nonclassroom-based instruction. The Charter is authorized by the Los Angeles Unified School District (the “authorizing agency” or “LAUSD”). The current charter petition end date is June 30, 2026. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

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. PazLo Education Foundation reports 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 not used in the Charter’s financial statement presentation.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Receivables and Allowances (continued)

Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2025, 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. 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.

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. 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.

PAZLO EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Income Taxes (continued)

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.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as of June 30, 2025, consists of the following:

Cash in banks, non-interest bearing	\$ 1,498,588
Cash in banks, interest bearing	820,795
Total Cash and Cash Equivalents	<u>\$ 2,319,383</u>

Cash in Banks – Custodial Credit Risk

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. As of June 30, 2025, \$1,819,383 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.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2025, consists of the following:

Local control funding sources, state aid	\$ 549,286
Federal sources	176,660
Other state sources	44,865
In lieu property tax payments	178,869
Other local sources	36,503
Total Accounts Receivable	<u>\$ 986,183</u>

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2025 consists of the following:

	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Property and equipment				
Site improvements	\$ 10,149	\$ -	\$ -	\$ 10,149
Computers and equipment	190,714	46,597	-	237,311
Furniture and fixtures	16,575	2,737	-	19,312
Total property and equipment	<u>217,438</u>	<u>49,334</u>	-	<u>266,772</u>
Less accumulated depreciation	(99,164)	(43,594)	-	(142,758)
Capital Assets, net	<u>\$ 118,274</u>	<u>\$ 5,740</u>	<u>\$ -</u>	<u>\$ 124,014</u>

PAZLO EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2025, consists of the following:

Due to grantor government	\$	130,498
Compensated absences		93,591
Salaries and benefits		75,040
Vendor payables		59,745
Total Accounts Payable	\$	358,874

NOTE 6 – DEFERRED REVENUE

Deferred revenue as of June 30, 2025, consists of the following:

Federal sources	\$	118,030
State sources		503,969
Total Deferred Revenue	\$	621,999

NOTE 7 – OPERATING LEASES

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, 2026. The site is located at 1046 East 34th Street in Los Angeles, California, by the Charter.

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 the Organization as office space.

During the fiscal year ended June 30, 2025, the Organization paid \$499,438 in lease payments under these operating leases. At June 30, 2025, the right-of-use asset was \$1,259,726 and the operating lease liability was \$1,250,333. The Organization has accounted for its lease agreements using an implied discount rate of 2.83% and 2.87%.

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 associated asset and liability are amortized over the remaining term of the lease as follows:

Fiscal Year Ending June 30,	Lease Expense	Lease Payments	Discount	Operating Lease Liability	Right-of-Use Asset
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	311,893	330,600	6,160	324,440	305,733
Prepaid Rent	-	-	-	-	30,054
Total	\$ 1,342,637	\$ 1,363,298	\$ 112,965	\$ 1,250,333	\$ 1,259,726

**PAZLO EDUCATION FOUNDATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2025**

NOTE 8 – NET ASSETS

As of June 30, 2025, 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, 2025, the Organization’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 124,014
Undesignated	2,475,153
Total Net Assets without Donor Restrictions	<u>\$ 2,599,167</u>

As part of the charter petition with LAUSD, the Charter has to hold cash reserves equal to five percent of total expenditures for the fiscal year ended June 30, 2025. 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, 2025, 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	\$ 2,319,383
Accounts receivable	986,183
Prepaid expenses	97,359
Total Financial Assets, excluding noncurrent	<u>\$ 3,402,925</u>
Contractual or donor-imposed restrictions	
Cash held for conditional contributions	<u>(621,999)</u>
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 2,780,926</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.

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 annual comprehensive financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275.

**PAZLO EDUCATION FOUNDATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2025**

NOTE 10 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Funding Policy

Active plan members are required to contribute 10.25% or 10.205% of their 2024-25 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2024-25 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>
2024-25	\$ 440,416	100%
2023-24	\$ 425,670	100%
2022-23	\$ 516,944	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 \$214,029. The on-behalf payment amount is computed as the proportionate share of total 2023-24 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, 2025 was \$3,272.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, the Charter operated by 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.

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 \$43,597 and total expenses for special education amounted to \$59,626 for the fiscal year ending June 30, 2025.

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.

**PAZLO EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

Employee Retention Credit

Management has deemed that the Organization is eligible for the Employee Retention Credit (ERC) under the CARES Act. The ERC is a refundable tax credit for certain employment taxes for eligible employers meeting certain criteria. The credit is claimed either by filing the original or adjusted employee tax return(s) with the Internal Revenue Service. The ERC is a government grant accounted for as a conditional contribution under FASB revenue recognition standards. The Organization has recorded a total of \$1,037,104 in revenue during the year ended June 30, 2025 related to ERC funds with \$818,674 presented within federal revenue and \$218,430 in investment income from interest.

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 \$2,310,218 as of . 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, 2025.

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, 2025.

NOTE 13 – SUBSEQUENT EVENTS

PazLo Education Foundation has evaluated subsequent events for the period from June 30, 2025 through January 12, 2026, 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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Organization has not elected to use the de minimis indirect cost rate of up to 15 percent.

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 108,522
Comprehensive Support and Improvement for LEAs	84.010	15438	174,382
Subtotal Title I, Part A			<u>282,904</u>
Title II, Part A, Supporting Effective Instruction Local Grants			
Bipartisan Safer Communities Act-Stronger Connections Grant	84.424H	15710	581,000
<i>Passed through Los Angeles Unified School District:</i>			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	15638	64,813
Total U. S. Department of Education			<u>939,921</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	770
National School Lunch Program	10.555	13391	2,202
Subtotal Child Nutrition Cluster			<u>2,972</u>
Total U. S. Department of Agriculture			<u>2,972</u>
Total Federal Expenditures			<u>\$ 942,893</u>

The following schedule provides a reconciliation between revenues reported on the statement of activities and the related expenditures reported on the schedule of expenditures of federal awards. The reconciling amounts represent federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2025 or federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2025.

	Amount
Total Federal Revenues reported in the Statement of Activities	\$ 1,761,567
IRS: Employee Retention Credit	<u>(818,674)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards	<u>\$ 942,893</u>

**PAZLO EDUCATION FOUNDATION
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2025**

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.

Grade Span	Nonclassroom-Based	
Regular		
Ninth through twelfth	238.53	258.98
Total Average Daily Attendance - Nonclassroom-Based	238.53	258.98
Total Average Daily Attendance	238.53	258.98

The Charter had no Classroom-Based ADA in 2024-25.

**PAZLO EDUCATION FOUNDATION
SCHEDULE OF INSTRUCTIONAL DAYS
FOR THE YEAR ENDED JUNE 30, 2025**

This schedule presents information on the number of instructional days offered per grade level by the charter school and whether the charter school complied with the provisions of *Education Code Section 47612.5*.

Matrix for Success Academy only provided nonclassroom-based instruction; therefore, no annual instructional minutes by grade level are presented below.

<u>Grade Level</u>	<u>2024-25 Number of Days</u>	<u>Status</u>
Grade 9	180	Complied
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, 2025**

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

There were no adjustments to reconcile net position reported on the Unaudited Actuals to net assets per the audited financial statements for the year end ended June 30, 2025.

OTHER INFORMATION

**PAZLO EDUCATION FOUNDATION
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2025**

This schedule provides information about the local education agency (LEA or charter school), including the charter school’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 with a current charter petition end date of June 30, 2026. During 2024-25, the charter school served over 259 students in grades 9 to 12.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Manny Guardado	Chair	August 20, 2026
Denise Todman	Secretary	December 7, 2026
Mary Jane Wagle	Treasurer	July 24, 2026
Lynnette Jenkins	Member	July 24, 2026
Damian Loporto	Member	July 30, 2026

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, 2025, and the related notes to the financial statements, which collectively comprise the Organization's financial statements and have issued our report thereon dated January 12, 2026.

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
January 12, 2026

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program**Opinion on Each Major Federal Program**

We have audited PazLo Education Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of PazLo Education Foundation's major federal programs for the year ended June 30, 2025. PazLo Education Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, PazLo Education Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 on compliance for each major federal program. 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 effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to PazLo Education Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the 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.

Auditor's Responsibilities for the Audit of Compliance (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, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. 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 each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, 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 the compliance requirements referred to above and performing such procedures as we consider 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 Uniform Guidance, 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.

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 and 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 federal 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 federal 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 federal 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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
January 12, 2026

**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 *2024-25 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, 2025. 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, 2025, 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 *2024-25 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.

Auditor’s Responsibilities for the Audit for State Compliance (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, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. 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
Kindergarten Continuance	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 school 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
January 12, 2026

FINDINGS AND QUESTIONED COSTS SECTION

**PAZLO EDUCATION FOUNDATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2025**

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

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.424H	Bipartisan Safer Communities Act-Stronger Connections Grant

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

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 <i>2024-25 Guide for Annual Audits of California K-12 Local Education Agencies ?</i>	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**PAZLO EDUCATION FOUNDATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
 FOR THE YEAR ENDED JUNE 30, 2025**

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

FIVE DIGIT CODE	AB 3627 FINDING TYPE
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

PART II – FINANCIAL STATEMENT FINDINGS

There were no audit findings related to the financial statements for the year ended June 30, 2025.

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to federal awards for the year ended June 30, 2025.

PART IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to state awards for the year ended June 30, 2025.

**PAZLO EDUCATION FOUNDATION
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

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 .