

Audited Financial Statements



June 30, 2024 and 2023

Quigley & Miron

Pasadena Educational Foundation
Audited Financial Statements
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June 30, 2024 and 2023

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Independent Auditor's Report

Board of Directors
Pasadena Educational Foundation
Pasadena, California

Opinion

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

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

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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.

A handwritten signature in black ink that reads "Quigley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
March 25, 2025

Pasadena Educational Foundation
Statement of Financial Position
June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,063,480	\$	\$ 2,063,480
Investments—Note 3	1,288,924	6,285,787	7,574,711
Beneficial interest in assets held at the PCF—Notes 4		578,057	578,057
Accounts receivable	223,966		223,966
Contributions receivable		1,500	1,500
Other assets	32,647		32,647
Total Assets	<u>\$ 3,609,017</u>	<u>\$ 6,865,344</u>	<u>\$ 10,474,361</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 2,201,933	\$	\$ 2,201,933
Deferred revenue—summer school	171,110		171,110
Total Liabilities	<u>2,373,043</u>		<u>2,373,043</u>
Net Assets			
Without donor restrictions	1,235,974		1,235,974
With donor restrictions—Notes 5		6,865,344	6,865,344
Total Net Assets	<u>1,235,974</u>	<u>6,865,344</u>	<u>8,101,318</u>
Total Liabilities and Net Assets	<u>\$ 3,609,017</u>	<u>\$ 6,865,344</u>	<u>\$ 10,474,361</u>

See notes to financial statements.

Pasadena Educational Foundation
Statement of Financial Position
June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,187,649	\$	\$ 2,187,649
Investments—Note 3	1,125,863	6,635,297	7,761,160
Beneficial interest in assets held at the PCF—Notes 4		453,497	453,497
Accounts receivable	18,093		18,093
Contributions receivable		7,500	7,500
Other assets	27,595		27,595
Total Assets	<u>\$ 3,359,200</u>	<u>\$ 7,096,294</u>	<u>\$ 10,455,494</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 2,761,645	\$	\$ 2,761,645
Deferred revenue—summer school	138,171		138,171
Total Liabilities	<u>2,899,816</u>		<u>2,899,816</u>
Net Assets			
Without donor restrictions	459,384		459,384
With donor restrictions—Notes 5		7,096,294	7,096,294
Total Net Assets	<u>459,384</u>	<u>7,096,294</u>	<u>7,555,678</u>
Total Liabilities and Net Assets	<u>\$ 3,359,200</u>	<u>\$ 7,096,294</u>	<u>\$ 10,455,494</u>

See notes to financial statements.

Pasadena Educational Foundation
Statement of Activities
Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Support and Revenue			
Contributions	\$ 551,225	\$ 3,532,883	\$ 4,084,108
Summer enrichment revenue			
Gross revenue	611,139		611,139
Less cost of scholarships	(216,745)		(216,745)
Summer Enrichment Revenue, Net	394,394		394,394
Special events			
Gross revenue	213,475		213,475
Less cost of direct benefit to donors	(85,388)		(85,388)
Special Events, Net	128,087		128,087
Fee for service	150,000		150,000
Interest and dividend income	297,407	57,317	354,724
Net assets released from restrictions	3,943,481	(3,943,481)	
Total Support, Revenue, and Releases from Restrictions	5,464,594	(353,281)	5,111,313
Expenses			
Program services			
Educational programs	3,419,394		3,419,394
Summer enrichment	1,020,977		1,020,977
Total Program Services	4,440,371		4,440,371
Supporting services			
Management and general	207,054		207,054
Fundraising	537,026		537,026
Total Supporting Services	744,080		744,080
Total Expenses	5,184,451		5,184,451
Change in Net Assets From Operations	280,143	(353,281)	(73,138)
Nonoperating Activities			
Investment return, net	496,447	52,771	549,218
Change in value of beneficial interest in assets held at the PCF—Note 4		69,560	69,560
Total Nonoperating Activities	496,447	122,331	618,778
Change in Net Assets	776,590	(230,950)	545,640
Net Assets at Beginning of Year	459,384	7,096,294	7,555,678
Net Assets at End of Year	\$ 1,235,974	\$ 6,865,344	\$ 8,101,318

See notes to financial statements.

Pasadena Educational Foundation
Statement of Activities
Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Support and Revenue			
Contributions	\$ 444,245	\$ 4,340,991	\$ 4,785,236
Summer enrichment revenue			
Gross revenue	641,133		641,133
Less cost of scholarships	(247,310)		(247,310)
Summer Enrichment Revenue, Net	393,823		393,823
Special events			
Gross revenue	122,319		122,319
Less cost of direct benefit to donors	(85,277)		(85,277)
Special Events, Net	37,042		37,042
ERC grants—Note 7	143,823		143,823
Fee for service	150,000		150,000
Interest and dividend income	345,462	6,518	351,980
Net assets released from restrictions	4,242,156	(4,242,156)	
Total Support, Revenue, and Releases from Restrictions	5,756,551	105,353	5,861,904
Expenses			
Program services			
Educational programs	3,587,927		3,587,927
Summer enrichment	966,372		966,372
Total Program Services	4,554,299		4,554,299
Supporting services			
Management and general	248,825		248,825
Fundraising	456,641		456,641
Total Supporting Services	705,466		705,466
Total Expenses	5,259,765		5,259,765
Change in Net Assets From Operations	496,786	105,353	602,139
Nonoperating Activities			
Investment return, net	(46,881)	48,422	1,541
Change in value of beneficial interest in assets held at the PCF—Note 4		46,422	46,422
Total Nonoperating Activities	(46,881)	94,844	47,963
Change in Net Assets	449,905	200,197	650,102
Net Assets at Beginning of Year	9,479	6,896,097	6,905,576
Net Assets at End of Year	\$ 459,384	\$ 7,096,294	\$ 7,555,678

See notes to financial statements.

**Pasadena Educational Foundation
Statement of Functional Expenses
Year Ended June 30, 2024**

	Program Services			Supporting Services		Special Events	Total
	Educational Programs	Summer Enrichment	Total Program Services	Management and General	Fundraising		
Direct Program-Related Expenses							
Cost of direct benefits to donors	\$	\$	\$	\$	\$	\$ 85,388	\$ 85,388
District funding	845,184		845,184				845,184
Educator professional development	12,010		12,010				12,010
Equipment, materials, and supplies	842,983		842,983				842,983
Field trips	272,769		272,769				272,769
Meetings and conferences	107,289		107,289				107,289
Merchant and bank fees	35,678		35,678				35,678
Outside contractors	307,369		307,369				307,369
Scholarships	178,550	216,745	395,295				395,295
School events	77,539		77,539				77,539
Stipends	62,275		62,275				62,275
Teacher grants	201,202		201,202				201,202
Travel	20,396		20,396				20,396
Total Direct Program-Related Expenses	2,963,244	216,745	3,179,989			85,388	3,265,377
Community engagement					73,802		73,802
Employee benefits	40,301	53,752	94,053	19,705	46,889		160,647
Insurance	1,200	1,600	2,800	2,069	1,600		6,469
Office expenses	703	66,803	67,506	16,394	55,203		139,103
Outside services and professional fees	1,297	40,940	42,237	26,716	21,220		90,173
Payroll	384,625	790,253	1,174,878	132,442	315,163		1,622,483
Payroll taxes	28,024	67,629	95,653	9,728	23,149		128,530
Total Expenses by Function	3,419,394	1,237,722	4,657,116	207,054	537,026	85,388	5,486,584
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors						(85,388)	(85,388)
Cost of scholarships		(216,745)	(216,745)				(216,745)
Total Expenses	\$ 3,419,394	\$ 1,020,977	\$ 4,440,371	\$ 207,054	\$ 537,026	\$	\$ 5,184,451

See notes to financial statements.

**Pasadena Educational Foundation
Statement of Functional Expenses
Year Ended June 30, 2023**

	Program Services			Supporting Services		Special Events	Total
	Educational Programs	Summer Enrichment	Total Program Services	Management and General	Fundraising		
Direct Program-Related Expenses							
Cost of direct benefits to donors	\$	\$	\$	\$	\$	\$ 85,277	\$ 85,277
District funding	1,529,455		1,529,455				1,529,455
Educator professional development	10,377		10,377				10,377
Equipment, materials, and supplies	608,949		608,949				608,949
Field trips	200,848		200,848				200,848
Meetings and conferences	84,102		84,102				84,102
Merchant and bank fees	36,552		36,552				36,552
Outside contractors	186,903		186,903				186,903
Scholarships	162,470	247,310	409,780				409,780
School events	123,461		123,461				123,461
Stipends	67,950		67,950				67,950
Teacher grants	170,851		170,851				170,851
Travel	14,854		14,854				14,854
Total Direct Program-Related Expenses	3,196,772	247,310	3,444,082			85,277	3,529,359
Community engagement					42,043		42,043
Employee benefits	32,224	45,522	77,746	20,006	37,443		135,195
Insurance	1,000	1,400	2,400	1,883	1,400		5,683
Office expenses	70	73,691	73,761	20,489	63,406		157,656
Outside services and professional fees	1,051	53,974	55,025	42,876	6,204		104,105
Payroll	332,338	728,990	1,061,328	152,247	284,953		1,498,528
Payroll taxes	24,472	62,795	87,267	11,324	21,192		119,783
Total Expenses by Function	3,587,927	1,213,682	4,801,609	248,825	456,641	85,277	5,592,352
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors						(85,277)	(85,277)
Cost of scholarships		(247,310)	(247,310)				(247,310)
Total Expenses	\$ 3,587,927	\$ 966,372	\$ 4,554,299	\$ 248,825	\$ 456,641	\$	\$ 5,259,765

See notes to financial statements.

Pasadena Educational Foundation
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 545,640	\$ 650,102
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions held in perpetuity	(55,000)	(55,000)
Investment gains	(618,778)	(47,963)
Change in value of beneficial interest in assets held at the Pasadena Community Foundation	(69,560)	(46,422)
(Increase) decrease in operating assets:		
Accounts receivable	(205,873)	130,648
Contributions receivable	6,000	92,500
Other assets	(5,052)	8,852
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(559,712)	111,892
Deferred revenue—summer school	32,939	(49,343)
Net Cash Provided by (Used in) Operating Activities	(929,396)	795,266
Cash Flows from Investing Activities		
Contribution of beneficial interest in assets held at the PCF	(55,000)	(55,000)
Purchases of investments	(2,112,036)	(3,656,329)
Sales of investments	2,917,263	2,246,838
Net Cash Provided by (Used in) Investing Activities	750,227	(1,464,491)
Cash Flows from Financing Activities		
Contributions held in perpetuity	55,000	55,000
Net Cash Provided by Financing Activities	55,000	55,000
Decrease in Cash and Cash Equivalents	(124,169)	(614,225)
Cash and Cash Equivalents at Beginning of Year	2,187,649	2,801,874
Cash and Cash Equivalents at End of Year	\$ 2,063,480	\$ 2,187,649
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

Pasadena Educational Foundation
Notes to Financial Statements
June 30, 2024 and 2023

Note 1—Organization and Summary of Significant Accounting Policies

Pasadena Educational Foundation (Foundation) is a non-profit community-based organization which joins the public and private sectors in a partnership to (1) develop supplementary financial support for Pasadena Unified School District (PUSD) programs, (2) encourage dedicated teachers by funding creative projects, and (3) promote confidence in PUSD and public schools in general.

The Foundation operates a Summer Enrichment Program, that serves area K-12 students, predominantly drawing from the PUSD student population, but also available to private, parochial, and outside of district public school students. The program is sustained through a combination of tuition fees paid by parents and charitable contributions from foundations and individuals; those charitable donations enable the Foundation to keep its costs competitive and offer tuition assistance to those in need.

The Foundation works closely with PUSD in presenting state-of-the-art computer science (CS) instruction at Pasadena High School's App Academy. The Foundation works with district's instructional experts to build next-generation CS curriculum and provides funding for hardware, software, and instructional expenses related to the App Academy.

Other programs operated and/or sustained by the fundraising efforts of the Foundation are a middle school Robotics program, the comprehensive K-6 My Masterpieces arts program, a Teacher Grants program that funds innovative teachers and projects at the classroom level, College & Career Pathways in the PUSD high schools, Principal for a Day community engagement effort, and much more.

In addition to contributions directly received by the Foundation from the private and public sectors, the Foundation, in coordination with the PUSD, solicits contributions that go directly from the donor to the PUSD. Such contributions, amounting to approximately \$13,951,000 and \$14,758,000 for the years ended June 30, 2024 and 2023, respectively, are not recorded in the Foundation's financial statements.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Foundation and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Foundation and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of the Foundation's program services which are educational programs, summer school, special events, and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Pasadena Educational Foundation
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Income Taxes—The Foundation is exempt from federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘more likely than not’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2024 and 2023. Generally, the Foundation’s information returns remain open for examination for a period of three years (federal) or four years (state of California) from the date of filing.

Cash and Cash Equivalents—The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash consists of balances in checking and savings accounts.

Investments—Investments are valued at fair market value. Investment transactions are recorded on the trade date. Investment income and realized and unrealized gains and losses, net of investment management fees, are reported as increases or decreases in the appropriate net asset category.

Recently Adopted Accounting Principles

Credit Losses—In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This standard replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The new guidance affects organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income, including loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The Foundation adopted ASU No. 2016-13 on a retrospective basis for the year ended June 30, 2024 with no resulting impact on the financial statement presentation.

Leases—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards (ASU) No. 2016-02, *Leases (Topic 842)*. This amendment is applicable to leases with terms exceeding 12 months and requires lessees to recognize the assets and related liabilities that arise from leases in the statement of financial position. Additionally, in July 2018, FASB issued ASU 2018-11 *Leases (Topic 842)—Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative effect adjustment to the opening balance of net assets without donor restrictions in the period of adoption. Since the Foundation has no leases with terms exceeding one year as of the year ended June 30, 2023, the Foundation has adopted ASU No. 2016-02 and its related amendments on a prospective basis, with no resulting impact on the financial statement presentation.

Concentrations of Credit Risk—Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, investments in securities, and receivables. The Foundation places cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Foundation also places money market funds, certificates of deposit, corporate bonds and common stock with a large securities broker-dealer where the funds are guaranteed by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per institution. At times, cash and investments in securities balances may be in excess of the FDIC/SIPC insurance limits.

Pasadena Educational Foundation
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

While the Foundation is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, the Foundation's management has assessed the credit risk associated with its cash deposits and investments at June 30, 2024 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments.

Accounts receivable represents amounts due from the Pasadena Unified School District for administrative services rendered. Contributions receivable represents amounts due from donors and organizations well known to the Foundation with a history of timely payment. Management has assessed the credit worthiness of these receivables and determined that an allowance for credit losses is not necessary at June 30, 2024 and 2023.

Contracts with Customers—Accounting standards require an organization to recognize revenue arising from contracts with customers at the time the customer obtains control of a contracted goods or service. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue Recognition—The Foundation's revenue recognition policies are as follows:

Summer enrichment revenue—Summer enrichment revenue is recognized at the time the classes are provided; unearned summer school revenue at year end is included in deferred revenue.

Special event revenue—Special event revenue is recognized when such income is received.

Fee for service—Fee for service revenue is recognized at the time the services are provided; unpaid fee income at year end is included in accounts receivable.

Interest and dividend income—Interest and dividend income is recognized when received and is reported under support and revenue in the statement of activities.

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Insurance and office expenses are allocated on the basis of square footage. Payroll, employee benefits, and payroll taxes, and outside services and professional fees are allocated on the basis of estimates of time and effort. All other functional expenses are charged directly to programs or fundraising.

Use of Estimates—Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results may differ from those estimates and assumptions.

Reclassifications—Certain amounts in 2023 have been reclassified to conform with the 2024 financial statement presentation.

Pasadena Educational Foundation
Notes to Financial Statements—Continued

Note 2—Availability and Liquidity

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$900,000). The following represents the availability and liquidity of the Foundation's financial assets at June 30, 2024 and 2023 to cover operating expenses for the next fiscal year:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,063,480	\$ 2,187,649
Investments	1,288,924	1,125,863
Accounts receivable	223,966	18,093
Current Availability of Financial Assets	<u>\$ 3,576,370</u>	<u>\$ 3,331,605</u>

Note 3—Investments and Fair Value Measurements

Investment activity for the years ended June 30, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Investment gains	\$ 597,043	\$ 46,088
Investment advisory fees	(47,825)	(44,547)
Investment Return, Net	549,218	1,541
Interest and dividend income	354,724	351,980
Total Return on Investment	<u>\$ 903,942</u>	<u>\$ 353,521</u>

In determining the fair value of investments, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Foundation at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment.

The Foundation may utilize a practical expedient, Net Asset Value (NAV) per share, for the estimation of the fair value of investments in Pasadena Community Fund (PCF) for which the investment does not have a readily determinable fair value. The Foundation had no assets or liabilities classified at NAV as a practical expedient during the years ended June 30, 2024 and 2023. The estimated fair values of certain investments of PCF, which includes private placements and other securities for which prices are not readily available, are determined by the management of PCF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized.

Pasadena Educational Foundation
Notes to Financial Statements—Continued

Note 3—Investments and Fair Value Measurements—Continued

Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. PCF’s investments are composed primarily of government securities, corporate notes, structured corporate notes, common stock and exchange traded funds. The beneficial interest in assets held at PCF is not redeemable by the Foundation, as described in Note 5.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

Corporate Notes: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Structured Corporate Notes: Corporate structured notes are hybrid securities that combines notes and equities to offer the features of both debt and equity assets. They are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Common Stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange Traded Funds: Valued at the closing price reported on the active market on which the funds are traded. These funds are deemed to be actively traded.

Government Securities: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2024 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Common stock	\$ 2,501,857	\$ 2,501,857	\$	\$
Corporate notes	3,263,803		3,263,803	
Exchange traded funds	1,289,569	1,289,569		
Government securities	57,847		57,847	
Structured corporate notes	461,635		461,635	
Total Investments	7,574,711	3,791,426	3,783,285	
Beneficial interest in assets held at PCF	578,057			578,057
Totals	\$ 8,152,768	\$ 3,791,426	\$ 3,783,285	\$ 578,057

Pasadena Educational Foundation
Notes to Financial Statements—Continued

Note 3—Investments and Fair Value Measurements—Continued

Fair values of assets and liabilities measured on a recurring basis at June 30, 2023 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Common stock	\$ 2,898,948	\$ 2,898,948	\$	\$
Corporate notes	1,566,248		1,566,248	
Exchange traded funds	394,754	394,754		
Government securities	909,509		909,509	
Structured corporate notes	1,991,701		1,991,701	
Total Investments	7,761,160	3,293,702	4,467,458	
Beneficial interest in assets held at PCF	453,497			453,497
Totals	\$ 8,214,657	\$ 3,293,702	\$ 4,467,458	\$ 453,497

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation’s investments in financial instruments in which management has used at least one significant unobservable input in the valuation model.

The following table represents a reconciliation of the activities for Level 3 financial instruments for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	\$ 453,497	\$ 352,075
Share of appreciation in the beneficial interest in PCF	69,560	46,422
Transfer in	55,000	55,000
Balance at End of Year	\$ 578,057	\$ 453,497

Note 4—Beneficial Interest in Assets Held at the Pasadena Community Foundation

In December 2016, the Foundation transferred general endowment assets to Pasadena Community Foundation (PCF) which is holding them as an endowed component Fund (“PCF Fund”) for the benefit of the Foundation. The Foundation has granted PCF sole variance power to modify any restrictions or conditions imposed by donors on the PCF Fund or assets if, in the judgment of PCF’s board, such restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes or needs served by PCF. The PCF Fund is subject to the PCF investment and spending policies. PCF and the Foundation jointly intend that the PCF Fund will continue to provide for the charitable purposes of the Foundation and that the assets will continue to be held in perpetuity as intended by the original donors. Distributions out of the PCF Fund may be made annually, as deemed prudent by the PCF board and consistent with applicable law. PCF is entitled to support fees, deductible from the PCF Fund, in accordance with their current fee schedule, which may be amended from time to time. PCF is also entitled to direct expenses, in connection with, the administration of the PCF Fund. Changes in the value of the PCF Fund are reported in the Foundation’s statement of activities. The Foundation reports the fair value of the PCF Fund in the statement of financial position as “beneficial interest in assets held at the Pasadena Community Foundation.” PCF provides the Foundation with a form detailing the available distribution amount and presenting three options for action: a) Reinvest the funds to allow the endowment to grow, b) Withdraw the funds for immediate use, or c) Postpone the decision to a later time for further consideration. The Foundation and the Investment Committee generally favor the Reinvest option to promote the long-term growth and sustainability of the endowment.

Pasadena Educational Foundation
Notes to Financial Statements—Continued

Note 5—Net Assets with Donor Restrictions

Net assets with donor restrictions for the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Arts and music	\$ 334,229	\$ 248,787
Athletics	69,838	97,493
College programs and internship stipends	43,954	42,900
College scholarships	805,777	771,877
Community outreach	64,153	74,220
Elementary programs	2,242,538	2,139,049
Field trips	150,722	166,346
Health programs	465,499	521,176
High School programs	227,448	255,206
McKinley Library Mural Restoration	8,934	8,934
Middle School programs	203,209	213,284
PEF Summer Enrichment Program	33,310	30,157
PUSD leadership development	7,890	18,175
PUSD professional staff development	64,153	122,153
Strategic Planning	13,853	77,556
Student engagement	57,600	13,531
Teacher grants	84,965	135,728
Technology, Robotics, & App Academy	996,365	1,397,462
Subject to time restrictions:		
Technology, Robotics, & App Academy	1,500	7,500
Subject to endowment spending policy and appropriation:		
Music and education	98,572	54,537
Wilson Library	147,858	81,806
Held in perpetuity:		
Music and education	64,000	64,000
Wilson Library	100,920	100,920
General operating purposes	578,057	453,497
Total Net Assets with Donor Restrictions	<u>\$ 6,865,344</u>	<u>\$ 7,096,294</u>

Pasadena Educational Foundation
Notes to Financial Statements—Continued

Note 5—Net Assets with Donor Restrictions—Continued

Net assets released from donor restrictions for the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions:		
Arts and music	\$ 298,998	\$ 270,606
Athletics	95,991	50,695
College programs and internship stipends	51,481	69,489
College scholarships	134,515	135,066
Community outreach	38,573	21,726
Elementary programs	1,110,314	1,088,810
Endowment earnings	7,945	3,699
Field trips	21,325	19,499
Health programs	123,832	169,394
High School programs	255,428	244,322
Middle School programs	323,948	300,173
PEF Gives Back		20,433
PUSD leadership development	10,285	13,457
PUSD professional staff development	76,000	29,150
PEF Summer Enrichment Program	726,010	853,897
Strategic Planning	63,702	22,444
Student engagement	31,931	26,719
Teacher grants	166,107	92,715
Technology, Robotics & App Academy	407,096	809,862
Total Net Assets Released from Restriction	<u>\$ 3,943,481</u>	<u>\$ 4,242,156</u>

Note 6—Endowment Net Assets

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of California as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Board is aware that there is an implicit understanding that the market value of the donor-restricted endowment may, from time to time, fall below the fair value of the original gift as of the gift date due to market conditions or continued prudent expenditures by the Board of certain amounts of the endowment. If such a temporary deficit condition occurred, the Board would take all prudent steps, given ongoing market conditions, to restore the fair value of the fund to an amount at or above the amount of the original gift.

As a result of this interpretation, the Foundation classifies the following as net assets with donor restrictions that are perpetual in nature: the corpus of the endowment; the original gift donated to the permanent endowment; the original value of subsequent gifts to the permanent endowment; and the accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Any remaining portion of the donor-restricted endowment fund not classified as net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are purpose-restricted, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Pasadena Educational Foundation
Notes to Financial Statements—Continued

Note 6—Endowment Net Assets—Continued

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters—It is the purpose of the Foundation's endowment fund to secure the future of the Foundation and to support its programs and operations as designated by the Board.

The primary long-term financial objective is to preserve and enhance the real (i.e., inflation-adjusted) purchasing power of the endowment through a prudent long-term investment strategy. This objective should be achieved over rolling three- and five-year periods on a total return basis. An additional objective is to provide a relatively predictable, stable, and (in real terms) constant stream of current income for the Foundation's annual operating needs.

The primary investment objective of the endowment is to earn an annual return of 8% over a three to five-year market cycle. The Foundation considers itself a risk-averse investor. That is, among various investment alternatives with comparable expected returns, the preference is for those having the lowest risk.

Strategies Employed for Achieving Objectives—The Foundation manages its endowment on a total rate of return basis consisting of dividends, interest, and any net increase / decrease in market value of securities for the fiscal year, not favoring returns from one source over another.

The Foundation has determined that marketable debt and equity securities traded in the United States are appropriate investments consistent with its return objectives and risk parameters. Cash invested in money market accounts is also an acceptable investment within these guidelines. The investment portfolio is to be sufficiently balanced so that no single security or class of securities will have a disproportionate impact on the risk of the total portfolio.

Spending Policy and How the Investment Objectives Relate to Spending Policy—The Foundation has a policy governing the amount of endowment earnings that can be released annually for spending, consistent with the restrictions, if any, placed on the endowment by donors. The spending policy authorizes an annual distribution equal to 5% of the average market value of the portfolios as of the twelve preceding quarters, subject to the requirement that the portfolios increase by an inflation factor annually.

Summary of Donor-Restricted Endowment Fund Balances and Activity—Net assets held in perpetuity at June 30, 2024 and 2023 is as follows:

	2024	2023
Wilson Library	\$ 100,920	\$ 100,920
Music and education	64,000	64,000
General operating purposes	578,057	453,497
Totals	\$ 742,977	\$ 618,417

Pasadena Educational Foundation
Notes to Financial Statements—Continued

Note 6—Endowment Net Assets—Continued

Endowment net assets consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$	\$ 14,674
Investments	411,350	286,589
Beneficial interest in perpetual trust	578,057	453,497
Totals	\$ 989,407	\$ 754,760

Changes in donor-restricted endowment net assets is as follows:

	<u>Subject to Appropriations</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment Net Assets at June 30, 2022	\$ 94,272	\$ 516,995	\$ 611,267
Interest and dividend income	4,585		4,585
Investment return, net	37,486		37,486
Beneficial interest in perpetual trust		46,422	46,422
Total Investment Return on Endowment Funds	42,071	46,422	88,493
Contributions		55,000	55,000
Endowment Net Assets at June 30, 2023	136,343	618,417	754,760
Interest and dividend income	57,317		57,317
Investment return, net	52,770		52,770
Beneficial interest in perpetual trust		69,560	69,560
Total Investment Return on Endowment Funds	110,087	69,560	179,647
Contributions		55,000	55,000
Endowment Net Assets at June 30, 2024	\$ 246,430	\$ 742,977	\$ 989,407

Note 7—ERC Grants

During the year ended June 30, 2023, the Foundation applied for and received employee retention credits (ERC) in the amount of \$143,823. This is included in ERC grants in the statement of activities.

Note 8—Commitments and Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, the Board deems the contingency remote since, by accepting the gifts and their terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

Pasadena Educational Foundation
Notes to Financial Statements—Continued

Note 9—Retirement Plan

The Foundation has established a defined contribution plan (Plan) whereby eligible employees may contribute to the Plan upon being hired. Employees are eligible if they are of age 21 and are employed to work at least 1,000 hours a year. The Foundation makes contributions to the Plan for employees of age 21 and over, upon the employee's one-year anniversary, and 1,000 hour of service milestone. Employer contributions vest immediately. The Foundation made contributions to the Plan totaling \$49,033 and \$42,941 during the years ended June 30, 2024 and 2023, respectively.

Note 10—Subsequent Events

On January 7, 2025, the Eaton Fire broke out in the Altadena area, significantly impacting PUSD with severe damage to school sites and displacement of staff, teachers, and many students and their families, as well as PEF staff and board members. The Foundation immediately activated its Eaton Fire Response Fund and is working with district and community leaders to assist the district and rally support from the community, the state of California, and across the country. This is a developing crisis that will require a lengthy recovery process; the Foundation's response and recovery efforts will be reflected beginning with the fiscal year end June 30, 2025 financial statements.

Management has evaluated all activities of Pasadena Educational Foundation through March 25, 2025, which is the date the financial statements were available to be issued, and concluded that the events mentioned above, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.