

HAPPY VALLEY FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2025

**FARBER HASS HURLEY LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**HAPPY VALLEY FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2025**

Table of Contents

	<u>Page #</u>
Independent Auditors' Report	1
Statement of Financial Position, June 30, 2025	3
Statement of Activities, For the Year Ended June 30, 2025	4
Statement of Functional Expenses, For the Year Ended June 30, 2025	5
Statement of Cash Flows, For the Year Ended June 30, 2025	6
Notes to the Financial Statements	7



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Happy Valley Foundation
Ojai, California

Opinion

We have audited the accompanying financial statements of Happy Valley Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expense, 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 Happy Valley 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Happy Valley 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 Happy Valley Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

In performing an audit in accordance with generally accepted auditing standards, 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 Happy Valley 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 Happy Valley 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, appearing to read "Farber Hass Hurley LLP". The signature is written in a cursive, flowing style.

Farber Hass Hurley LLP

Chatsworth, California
December 17, 2025

**HAPPY VALLEY FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025**

ASSETS

Cash and cash equivalents	\$ 8,215,343
Investments at fair value	8,188,648
Employee retention tax credit receivable	505,201
Prepaid expenses and other current assets	<u>146,899</u>

Total Current Assets 17,056,091

Property and equipment, net	10,756,579
Permanent collection	<u>301,094</u>

TOTAL ASSETS \$ 28,113,764

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 54,918
Accrued payroll	71,876
Deferred revenue	<u>2,046,780</u>

Total Current Liabilities 2,173,574

Total Liabilities 2,173,574

NET ASSETS

Without donor restrictions	25,333,914
With donor restrictions	<u>606,276</u>
Total Net Assets	<u><u>25,940,190</u></u>

TOTAL LIABILITIES AND NET ASSETS \$ 28,113,764

The accompanying notes are an integral part of these financial statements.

**HAPPY VALLEY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Tuition and fees, net of credits and refunds	\$ 4,380,563	\$ -	\$ 4,380,563
Less financial aid and scholarships	(228,143)	-	(228,143)
Sales of artwork and gift shop	52,396	-	52,396
Contributions	121,956	33,602	155,558
In-kind contribution	115,000	-	115,000
Royalty income	91,414	-	91,414
Investment and interest income	451,079	926	452,005
Appreciation of investments, net	260,825	2,470	263,295
Rental income	371,605	-	371,605
Other income	59,245	-	59,245
	<hr/>	<hr/>	<hr/>
Total revenue	5,675,940	36,998	5,712,938
	<hr/>	<hr/>	<hr/>
Net assets released from donor restriction	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenue and reclassifications	\$ 5,675,940	\$ 36,998	\$ 5,712,938
	<hr/>	<hr/>	<hr/>
EXPENSES			
Program services	\$ 3,943,057	\$ -	\$ 3,943,057
General and administrative	1,624,094	-	1,624,094
Fundraising	101,513	-	101,513
	<hr/>	<hr/>	<hr/>
Total expenses	5,668,664	-	5,668,664
	<hr/>	<hr/>	<hr/>
Change in net assets	7,276	36,998	44,274
Net assets, beginning of year	25,326,638	569,278	25,895,916
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 25,333,914	\$ 606,276	\$ 25,940,190
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

**HAPPY VALLEY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025**

	Program Services				Supporting Services			Total Expenses
	School	Foundation	Center	Total	Management and General	Fund Raising	Total	
Salaries, payroll taxes, and benefits	\$ 2,255,207	\$ 5,720	\$ 42,282	\$ 2,303,209	\$ 779,189	\$ 73,021	\$ 852,210	\$ 3,155,419
Advertising and marketing	49,502	-	-	49,502	43,163	-	43,163	92,665
Cost of sales, artwork	-	-	25,455	25,455	-	-	-	25,455
Depreciation and amortization	256,795	93,688	473	350,956	172,208	8,315	180,523	531,479
Events	-	3,800	-	3,800	-	-	-	3,800
Food services	198,769	-	-	198,769	-	-	-	198,769
Insurance	338,254	100,694	6,200	445,148	209,699	10,952	220,651	665,799
Interest and bank charges	-	-	-	-	24,246	-	24,246	24,246
Office expenses	34,059	-	-	34,059	50,688	1,103	51,791	85,850
Other expenses	-	-	9,204	9,204	19,249	1,175	20,424	29,628
Professional services	4,617	-	4,525	9,142	44,184	-	44,184	53,326
Real estate taxes	-	3,442	-	3,442	3,442	-	3,442	6,884
Repairs and maintenance	52,414	-	-	52,414	65,829	-	65,829	118,243
Student recruiting agent commission	-	-	-	-	136,178	-	136,178	136,178
Student services	135,943	-	-	135,943	-	-	-	135,943
Supplies	56,677	-	1,077	57,754	-	-	-	57,754
Technology	24,653	-	2,537	27,190	10,030	798	10,828	38,018
Transportation	38,892	-	-	38,892	-	-	-	38,892
Utilities	189,907	4,057	4,214	198,178	65,989	6,149	72,138	270,316
Total Expenses	\$3,635,689	\$ 211,401	\$ 95,967	\$3,943,057	\$1,624,094	\$ 101,513	\$1,725,607	\$5,668,664

The accompanying notes are an integral part of these financial statements.

**HAPPY VALLEY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets:	\$ 44,274
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	531,479
Net appreciation of value on investments	(263,295)
In-kind contribution of fixtures and equipment	(115,000)
Changes in assets and liabilities:	
Prepaid expenses	4,381
Accounts payable and accrued expenses	(42,987)
Accrued payroll	6,087
Deferred revenue	(47,534)
Net cash provided by operating activities	117,405

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property and equipment	(14,321)
Purchases of investment securities	(3,922,409)
Proceeds from sale of securities	3,776,000
Net cash used in investing activities	(160,730)
Net decrease in cash and cash equivalents	(43,325)
Cash and cash equivalents, beginning of year	8,258,668
Cash and cash equivalents, end of year	\$ 8,215,343

Supplemental Information

Cash paid for interest	\$ -
Cash paid for taxes	\$ -

The accompanying notes are an integral part of these financial statements.

HAPPY VALLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1. ORGANIZATION

Nature of Activities

The Happy Valley Foundation (the “Foundation”), a not-for-profit corporation, provides educational and cultural services in the Ojai, California area. The Foundation is governed by a Board of Trustees.

Since 1946, the Foundation has operated a private, independent school (the “School”) for domestic and international students from 9th to 12th grade located on the Foundation’s property. Originally named “Happy Valley School” (effective July 1, 2007, the name was changed to “Besant Hill School of Happy Valley”), the School represents the most significant activity of the Foundation. Since its inception, the School has been a nonsectarian educational community that provides an atmosphere where students may discover both their intellectual and creative potentials. A unique college preparatory secondary school, the School builds its program around small classes and mentor teacher/student relationships.

In 1999, the Foundation was bequeathed unrestricted assets from artist Beatrice Wood. The Beatrice Wood Studio, Museum and Art Library (the “Beatrice Wood Center for the Arts” or the “Center”) is located on the Foundation’s property. Certain items of Ms. Wood’s artwork, as well as items on consignment from other artists, are available for sale.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation include the accounts of three segments: Foundation, School, and Center. All material inter-entity accounts and transactions have been eliminated. The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The net assets, revenues, and gains and losses of the Foundation are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's board may designate assets without donor restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions, such as endowments, are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use the returns on the related investments over time for general or specific purposes. 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 without donor restrictions and reported in the statement of activities as net assets released from restrictions. When donor restrictions on contributions are satisfied in the same period as the receipt of the contribution, the contribution revenue is recorded in net assets without donor restrictions.

HAPPY VALLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

The Foundation recognizes revenues upon applying the five-step model: (a) identification of the contract(s) with a customer; (b) identification of the performance obligations in the contract; (c) determination of the transaction price; (d) allocation of the transaction price to performance obligations in the contract; and (e) recognition of revenues when, or as, the contractual obligations are satisfied.

Tuition and fees revenue is recognized in the period in which the related educational instruction is performed. The School offers scholarships and financial aid to certain students based on their individual eligibility established by management. These amounts are recorded against revenue in the year the related academic services are rendered. The School's payment terms generally require payments in advance of the academic term depending on the particular payment plan. Receipts collected prior to June 30 which relate to the subsequent educational year are deferred. As of July 1, 2024, the beginning balance of the School's deferred revenue was \$2,094,314. Substantially all of the deferred revenue balance at the beginning of the year was recognized into revenue during the year.

Revenue from art sales to customers is recognized upon shipment or transfer of goods. Rental income is recognized on a straight-line basis over the non-cancellable term of the related lease which includes the effects of minimum rent increases. Other revenues are recognized when the services are rendered. Payments received in advance applicable to subsequent years are deferred.

Contributions and Grants

Unconditional contributions are recognized at a point in time, when pledged and recorded as net assets without or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions of cash and other assets are reported as donor restricted support, if they are received with donor stipulations that limit the use of the donated assets.

In-Kind Contributions

From time to time, the Foundation receives in-kind contributions such as professional services, goods, and long-lived assets. Contributions of goods, and long-lived assets are recognized as revenue at a point of time at the estimated fair value, which considers the highest and best use, on the date of contribution or when ownership of the asset is transferred to the Foundation. During the year ended June 30, 2025, the Foundation received in-kind contributions of \$115,000, meeting the criteria discussed above. The in-kind contributions consisted of a greenhouse and related material to develop the School's organic farming program.

The contribution of services is recognized at a point in time if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Revenues and expenses related to contributed professional services are recognized in equal amounts at the fair market value, as estimated by management. No donated services, meeting the criteria discussed above, were received during the year ended.

HAPPY VALLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Foundation considers all cash on hand and short-term highly liquid investments that are readily convertible into cash with purchased maturities of three months or less to be cash equivalents.

Investments

Investments are reflected at fair value, with changes in unrealized gains and losses resulting from changes in fair value included in the Statement of Activities with realized gains and losses. Investment income consists of interest and dividend income. Revenue from royalties is recognized when received.

Accounts Receivable

Accounts receivable consist of receivables from students for tuition, student accounts, other receivables. The Foundation maintains an allowance for credit losses that is estimated and recorded utilizing relevant information about past events, including historical experience, current conditions and a reasonable and supportable forecast that affects the collectability of the related financial asset. As of June 30, 2025, management believes that all receivables are collectable after year end. The Foundation writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. The total amount of write-offs was immaterial to the financial statements as a whole for the year ending June 30, 2025.

Inventory

Inventory consists primarily of ceramics and lithographs held for sale that were bequeathed to the Foundation by Beatrice Wood. These items are carried at values established at the time of donation, reduced to their net realizable value by an estimate allowance for slow-moving and damaged items. Inventory is valued at approximately \$28,000 with a full reserve against the value for slow moving inventory.

Permanent Collection

The Foundation was the recipient of various works of art, manuscripts, archival materials, and art books from the Estate of Beatrice Wood. The Foundation also holds a contributed prized piano. This collection was valued at fair value at the date of contribution. Although there are no legal restrictions related to this collection, it is the Foundation's intent to hold these items for public exhibition, education, and research in furtherance of public service rather than financial gain. The Foundation has determined that it should capitalize its artwork and musical equipment if the piece has cultural, historic or artistic value and they have the ability and intention to maintain the artwork and musical equipment. Proceeds from the sale of the Foundation's collection are used for the acquisition of works of art and direct care of the existing collection.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

HAPPY VALLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment acquired by purchase are recorded at cost. Donated fixed assets are capitalized based on the fair market value on the date of the gift. Property and equipment are capitalized if the individual cost exceeds \$500 and has a useful life of over a year. Normal repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years.

Income Tax Status

The Foundation is a not-for-profit organization exempt from U.S. federal and state income tax under Internal Revenue Code Section 501(c)(3) and applicable state statutes since its exemption was granted in July 1971 by the Internal Revenue Service (“IRS”). Accordingly, no provision for income taxes has been recorded.

U.S. GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain; management has considered its tax positions and believes that all of the positions taken by the Foundation in its federal and state organization informational returns are more likely than not to be sustained upon examination. The Foundation's federal and state informational returns for June 30, 2021 and June 30, 2020 subsequent remain open to examination by the IRS and Franchise Tax Board, respectively.

Functional Expenses

The costs of providing the Foundation’s various program and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated between the program and supporting services as determined by management. Joint costs are generally allocated based on the percentage of payroll costs attributable to the underlying activity.

Subsequent Events

The Foundation has evaluated events subsequent to June 30, 2025, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 17, 2025, the date the financial statements were available to be issued.

NOTE 3. INVESTMENTS

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. FASB ASC 820 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

HAPPY VALLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3. INVESTMENTS (continued)

- Level 1 Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Other inputs that are directly or indirectly observable, including:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values, while the Foundation believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different estimate of fair value. Following is a description of the valuation methodologies used for assets measured at fair value:

Common Stock and Exchange Traded Funds: Valued at the closing price or daily net asset value reported in the active market in which the individual security is traded. The securities held by the Foundation are deemed to be actively traded.

U.S. treasury securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Playwright Royalty: The Foundation's royalty portfolio represents rights to certain royalty revenues on theatrical performances of *The Music Man* in future years and is valued at an estimated discounted revenue stream. The royalty was received as a contribution from a donor in 2008.

The following table summarizes the fair value valuations of the Foundation's investments and other relevant assets as of June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$ 111,627	\$ -	\$ -	\$ 111,627
Exchange Traded Funds				
Equities	1,632,080	-	-	1,632,080
Fixed Income	521,218	-	-	521,218
Total Exchange Traded Funds	2,153,298	-	-	2,153,298
Playwright Royalty	-	-	260,000	260,000
U.S. Treasury Bills and Notes	5,663,723	-	-	5,663,723
Total Investments	<u>\$ 7,928,648</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ 8,188,648</u>

HAPPY VALLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3. INVESTMENTS (continued)

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

Balance, beginning of the year	\$ 260,000
Interest, dividends, and royalties	91,414
Distributions	(91,414)
Current year fair market value adjustment	-
Balance, end of the year	<u>\$ 260,000</u>

NOTE 4. PROPERTY AND EQUIPMENT

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

Land	\$ 108,467
Building	12,951,282
Improvements	5,155,813
Furniture, fixtures, and equipment	490,316
Vehicles	407,038
	<u>19,112,916</u>
Less accumulated depreciation	(8,356,337)
Property and equipment, net	<u>\$ 10,756,579</u>

Depreciation expense for the year ending June 30, 2025 was \$531,478.

NOTE 5. RETIREMENT PLAN

Full-time employees of the School are eligible to participate in a defined-contribution retirement plan administered by the Teachers Insurance and Annuity Association (“TIAA”). Contributions under this retirement plan are applied to individual accounts issued to each participant. The School’s matching contributions to the retirement plan for the year ending June 30, 2025 was approximately \$60,000. Individual contributions may be designated by the participant for investment in plans offered by TIAA.

NOTE 6. CONCENTRATIONS OF CREDIT RISK

Cash and cash equivalents are maintained at various financial institutions in the United States. The balances are insured by the Federal Deposit Insurance Corporation (“FDIC”), with coverage up to \$250,000 per financial institution. Additionally, the Foundation’s investment accounts are insured by Securities Investor Protection Corporation (“SIPC”), with coverage of \$500,000 per financial institution. During the year ended June 30, 2025, the Foundation had, at times, funds that were uninsured.

**HAPPY VALLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 6. CONCENTRATIONS OF CREDIT RISK (continued)

The uninsured balances of cash and cash equivalents and investments at June 30, 2025 was approximately \$15,100,000. The Foundation has not experienced any losses on the deposits of cash and cash equivalents and investments.

NOTE 7. LINE OF CREDIT

In January 2012, the Foundation obtained a revolving line of credit from a local bank for capital expenditures. The maximum amount is \$500,000 and is secured by the Foundation’s inventory, receivables, fixed assets, and intangibles. The interest rate is calculated based on the Wall Street Journal Prime Rate index plus 1.25% with a minimum effective rate of 8.25%; the effective rate as of June 30, 2025 was of 8.25%. As of June 30, 2025, the outstanding balance was \$0 and the agreement matures in September 2025. Subsequent to year end, the Foundation renewed the agreement and extended the maturity to September 2026.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of June 30, 2025:

Housing project	\$ 501,620
Well project	25,697
Financial Aid Endowment	70,171
Other	8,788
Total	<u>\$ 606,276</u>

NOTE 9. ENDOWMENT FUNDS AND BOARD DESIGNATED NET ASSETS

The Trustees of the Foundation have established an endowment with expenditures restricted to providing financial aid to the students attending the School (the “Endowment”). The Endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. U.S. GAAP requires net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As funds designated by the Board do not have any donor-imposed restrictions, they are included in net assets without donor restrictions.

The Board has interpreted the California-enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gifts to the Endowment as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment to the extent specified by the applicable donor gift instrument.

HAPPY VALLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9. ENDOWMENT FUNDS AND BOARD DESIGNATED NET ASSETS (continued)

The remaining portion of the donor-restricted endowment fund is included in net assets with donor restrictions until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation considers the following factors in making a determination to appropriate or accumulate the Endowment funds: the duration and preservation of the Endowment, the purposes of the organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the organization, and the investment policies. There shall be no distributions from the endowment until the value of the account (after approved distributions) does not reduce the balance below \$10,000,000. The amount available for distribution shall not exceed the amount of income and net appreciation and depreciation during the prior fiscal year. In the event of a depreciation in account value during a fiscal year, any remaining amounts scheduled for distribution shall be suspended until the account again attains the minimum account balance. During the year ended June 30, 2025, the activity in the Endowment was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,491,000	\$ 33,173	\$ 2,524,173
Investment return:			
Investment and interest income	79,080	1,128	80,208
Appreciation of investments	172,398	2,470	174,868
Advisor fees	(14,080)	(202)	(14,282)
Total	237,398	3,396	240,794
Contributions	-	33,494	33,494
Additional authorized amounts	-	-	-
Appropriation for expenditure	-	-	-
Change in endowment net assets	237,398	36,890	274,288
Endowment net asset, end of year	<u>\$ 2,728,398</u>	<u>\$ 70,063</u>	<u>\$ 2,798,461</u>

The Endowment net asset composition consisted of the following as of June 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,120,000	\$ -	\$ 2,120,000
Donor-restricted gift and amounts required to be maintained in perpetuity	-	63,627	63,627
Accumulated net investment gains	608,398	6,436	614,834
Total Funds	<u>\$ 2,728,398</u>	<u>\$ 70,063</u>	<u>\$ 2,798,461</u>

HAPPY VALLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10. LIQUIDITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation's financial assets available within one year of June 30, 2025 for general expenditure reduced by amounts not available for general use because of donor and board-imposed restrictions (see Note 8 and 9) are as follows:

Cash and cash equivalents	\$	8,215,343
Investments		7,928,648
Total		16,143,991
Less donor restricted funds		(606,276)
Less board-imposed restricted funds		(2,728,398)
Total financial assets available for general expenditures within one year		\$ 12,809,317

NOTE 11. COMMITMENTS AND CONTINGENCIES

The Foundation, during its normal course of business, may be subject from time to time to disputes and to legal proceedings against it. Both counsel and management do not expect that the ultimate outcome of any current claims will have a material effect on the Foundation's financial statements.

NOTE 12. LEASES OF FOUNDATION PROPERTY

In June 2022, the Foundation entered into a lease agreement with a tenant to rent a portion of the Foundation's property which require monthly payments of \$5,000 with annual increases up to 5% based on the Consumer Price Index for the City of Los Angeles for the month of each anniversary. The leasee is also responsible for payment of property taxes. The lease commenced on August 1, 2022 and expires on July 31, 2027, in which the leasee has an option to extend for an additional 5 years. Total related rental income recognized during the year ended June 30, 2025 was \$58,405.

In December 2022, the Foundation entered into a lease agreement with a tenant for use of the School's facilities for a summer camp during the months of June to August. The agreement calls for annual minimum payments of \$279,600 with an annual increase based on the annual Consumer Price Index for the City of Los Angeles. The Foundation may also bill for allowable supplemental charges incurred. The agreement is for a period of 5 years with an option to renew for additional 5 years and may be terminated by either party 6 months prior to occupancy. Total related rental income recognized during the year ended June 30, 2025 was \$313,200.

HAPPY VALLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12. LEASES OF FOUNDATION PROPERTY (Continued)

Future minimum lease payments to be received by the Foundation for the years ending June 30, are as follows:

2026	\$	350,515
2027		350,515
2028		83,610
2029		8,400
Total	\$	793,040

NOTE 13. EMPLOYEE RETENTION TAX CREDIT

Due to the COVID-19 pandemic, the U.S. government began to undertake numerous legislative and regulatory initiatives designed to provide relief to businesses including the Employee Retention Tax Credit (“ERTC”). The ERTC allows for a refundable tax credit against certain employment taxes equal to 50% and 70% of the first \$10,000 in qualified wages paid to each employee in calendar years 2020 and 2021, respectively. To be eligible, the Foundation must (a) have had operations fully or partially suspended because of a shut-down order from a governmental authority related to the COVID-19 pandemic, or (b) have had gross receipts decline by more than 20% in a calendar quarter, when compared to the same quarter in 2019. Qualified wages are all wages and healthcare expenses paid to employees during the period in which the credit is being claimed. ERTC claims are subject to examination by the Internal Revenue Service up to 5 years after the date of the filing. As management deemed the Foundation eligible during the periods from July 1, 2020 to September 30, 2021, the Foundation recognized approximately \$1,026,000 of revenue during the year ended June 30, 2023 of which approximately \$505,201 was outstanding as a receivable as of June 30, 2025.

NOTE 14. BUSINESS SEGMENTS

The principal business of the Foundation is education. As discussed in Note 1, the Foundation consists of three reportable segments as shown below:

	Foundation	School	Center	Eliminations	Total
Revenues	\$ 441,120	\$5,114,811	\$ 157,007	\$ -	\$5,712,938
Program services	211,401	3,635,689	95,967	-	3,943,057
General and administrative	306,596	1,231,766	85,733	-	1,624,095
Fundraising	-	100,338	1,175	-	101,513
Change in net assets	(76,877)	147,018	(25,868)	-	44,273
Net assets	8,002,947	17,658,775	278,467	-	25,940,189
Total assets	8,016,822	19,828,445	286,346	(17,850)	28,113,763
Total liabilities	13,875	2,169,669	7,879	(17,850)	2,173,573
Capital expenditures	-	14,321	-	-	14,321
Depreciation	187,375	343,158	946	-	531,479