



Proyecto Pastoral at Dolores Mission

PROYECTO PASTORAL

REPORT ON AUDIT OF
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS



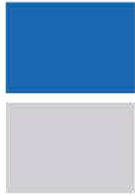
Proyecto Pastoral at Dolores Mission

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(A California Non-Profit Corporation)
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**PROYECTO PASTORAL
(A California Non-Profit Corporation)
GENERAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

Agency Name:	Proyecto Pastoral	
Program Name and Contract Number:	General Center State Preschool	CCTR-4145 CSPP-4250
Type of Agency:	A California Non-Profit Corporation	
Agency Address:	135 North Mission Road Los Angeles, California 90033	
Name of Executive Director:	Raquel Roman	
Telephone Number:	(323) 881-0018	
Website Address:	www.proyectopastoral.org	
Period Covered by Examination:	July 1, 2024 through June 30, 2025	
Number of Days of Agency Operation:	238 days	



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AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Proyecto Pastoral
(A California Non-Profit Corporation)
Los Angeles, California

Opinion

We have audited the accompanying financial statements of Proyecto Pastoral (A California Non-Profit Corporation), 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 present fairly, in all material respects, the financial position of Proyecto Pastoral 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Proyecto Pastoral 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 opinions.

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 Proyecto Pastoral's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT (Continued)

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Report on Summarized Comparative Information

We previously audited about Proyecto Pastoral's 2024 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived. The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of about Proyecto Pastoral.

INDEPENDENT AUDITORS' REPORT (Continued)

Other Matters

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Combining Schedule of Activities, Schedule of Claimed Equipment Expenditures, Schedule of Claimed Expenditures for Renovations and Repairs, Schedule of Claimed Administrative Costs, Schedule of Reconciling CCD and GAAP Expense Reporting, Schedule of Expenditures by State Categories, Notes to the Child Care and Development Program Supplemental Information and Audited Final Attendance and Fiscal Report Forms are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Schedule of Activities, Schedule of Claimed Equipment Expenditures, Schedule of Claimed Expenditures for Renovations and Repairs, Schedule of Claimed Administrative Costs, Schedule of Reconciling CCD and GAAP Expense Reporting, Schedule of Expenditures by State Categories, Notes to the Child Care and Development Program Supplemental Information and Audited Final Attendance and Fiscal Report Forms are the responsibility of management and were derived from and relate 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 in conformity with the Audit Guide for Audits of Child Development and Nutrition Programs issued by the *California Departments of Education and Social Services (CDE / CDSS Audit Guide)*. Such 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 Combining Schedule of Activities, Schedule of Claimed Equipment Expenditures, Schedule of Claimed Expenditures for Renovations and Repairs, Schedule of Claimed Administrative Costs, Schedule of Reconciling CCD and GAAP Expense Reporting, Schedule of Expenditures by State Categories, Notes to the Child Care and Development Program Supplemental Information and Audited Final Attendance and Fiscal Report Forms are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and State Awards, as required by the Audit Guide for Audits of Child Development and Nutrition Programs issued by the *California Departments of Education and Social Services (CDE / CDSS Audit Guide)*, 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.

INDEPENDENT AUDITORS' REPORT (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025, on our consideration of Proyecto Pastoral'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 to solely 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 Proyecto Pastoral's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Proyecto Pastoral's internal control over financial reporting and compliance.

Vonnie, Hays + Co.

Calabasas, California
December 15, 2025

PROYECTO PASTORAL
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024)

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 9,392,861	\$ 9,281,191
Contracts and grants receivable	939,772	1,216,175
Accounts receivable	27,633	19,186
Promises to give, net	2,116,833	1,446,684
Deposits and prepaid expenses	292,868	194,780
Right of use assets	29,774	41,139
Property and equipment, net	1,850,768	1,934,380
Total assets	\$ 14,650,509	\$ 14,133,535
LIABILITIES		
Accounts payable and accrued expenses	\$ 325,852	\$ 553,983
Accrued payroll and related liabilities	302,041	295,361
Deferred revenue	5,469,330	5,351,808
Right of use lease liabilities	27,425	40,114
Child development reserves	392	382
Total liabilities	6,125,040	6,241,648
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	5,413,551	5,905,595
With donor restrictions	3,111,918	1,986,292
Total net assets	8,525,469	7,891,887
Total liabilities and net assets	\$ 14,650,509	\$ 14,133,535

See accompanying auditors' reports and notes to financial statements.

PROYECTO PASTORAL
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024)

	2025		2024
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND RESTRICTIONS RELEASED			
Government Contracts	\$ 3,752,211	-	\$ 3,288,350
Contributions and grants	369,183	3,341,297	2,616,387
In-kind contributions	142,131	-	103,105
Program and other income	47,172	-	29,866
Interest income	285,572	-	266,119
Special events:			
Revenue	225	-	460,286
Expenses	-	-	(115,997)
Special events, net	225	-	344,289
Net assets released from restrictions	2,215,671	(2,215,671)	-
Total revenue, support and restrictions released	6,812,165	1,125,626	6,648,116
EXPENSES			
Program services	6,362,355	-	5,708,658
Management and general services	494,648	-	563,248
Fundraising expenses	447,206	-	579,020
Total expenses	7,304,209	-	6,850,926
CHANGE IN NET ASSETS	(492,044)	1,125,626	(202,810)
NET ASSETS - beginning of year	5,905,595	1,986,292	8,094,697
NET ASSETS - end of year	\$ 5,413,551	\$ 3,111,918	\$ 7,891,887

See accompanying auditors' reports and notes to financial statements.

PROYECTO PASTORAL
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024)

	2025										2024									
	Program Services					Supporting Activities					Program Services					Supporting Activities				
	Early Childcare Education	Community in Action (CEM)	GHP Homeless Program	Impacto	Promise Neighborhood (Promesa)	Total Program Services	Management and General Services	Fundraising Expenses	Total Supporting Activities	Total Expenses	Early Childcare Education	Community in Action (CEM)	GHP Homeless Program	Impacto	Promise Neighborhood (Promesa)	Total Program Services	Management and General Services	Fundraising Expenses	Total Supporting Activities	Total Expenses
Salaries, taxes, and benefits	\$ 1,379,741	\$ 168,115	\$ 1,111,452	\$ 1,381,230	\$ 997,487	\$ 5,038,025	\$ 296,242	\$ 405,885	\$ 702,127	\$ 5,740,152	\$ 1,379,741	\$ 168,115	\$ 1,111,452	\$ 1,381,230	\$ 997,487	\$ 5,038,025	\$ 296,242	\$ 405,885	\$ 702,127	\$ 5,740,152
Depreciation and amortization	56,733	1,792	20,907	35,874	5,989	121,295	2,215	2,980	5,195	126,490	56,733	1,792	20,907	35,874	5,989	121,295	2,215	2,980	5,195	126,490
Event, miscellaneous expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office	79,939	4,335	42,125	35,722	65,370	227,491	21,859	2,785	37,147	264,638	79,939	4,335	42,125	35,722	65,370	227,491	21,859	2,785	37,147	264,638
Professional services	18,401	3,374	14,544	18,129	47,382	101,930	123,396	15,288	129,294	231,224	18,401	3,374	14,544	18,129	47,382	101,930	123,396	15,288	129,294	231,224
Program supplies and activities	117,521	51,826	138,806	86,966	71,862	466,981	730	880	1,610	468,591	117,521	51,826	138,806	86,966	71,862	466,981	730	880	1,610	468,591
Occupancy	66,192	3,342	102,997	25,842	13,840	212,213	4,642	7,697	12,339	224,552	66,192	3,342	102,997	25,842	13,840	212,213	4,642	7,697	12,339	224,552
Repairs and maintenance	35,587	408	40,287	43,944	2,077	122,303	768	1,034	1,802	124,105	35,587	408	40,287	43,944	2,077	122,303	768	1,034	1,802	124,105
Meeting and travel	5,470	5,029	4,514	4,983	7,455	27,451	1,307	2,457	3,764	31,215	5,470	5,029	4,514	4,983	7,455	27,451	1,307	2,457	3,764	31,215
Uncollectible accounts written-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Staff development	20,173	1,005	5,618	10,814	7,056	44,666	1,710	2,302	4,012	48,678	20,173	1,005	5,618	10,814	7,056	44,666	1,710	2,302	4,012	48,678
Total Functional Expenses	\$ 1,779,757	\$ 239,226	\$ 1,481,350	\$ 1,643,504	\$ 1,218,518	\$ 6,362,355	\$ 494,648	\$ 447,206	\$ 941,854	\$ 7,304,209	\$ 1,779,757	\$ 239,226	\$ 1,481,350	\$ 1,643,504	\$ 1,218,518	\$ 6,362,355	\$ 494,648	\$ 447,206	\$ 941,854	\$ 7,304,209

See accompanying auditors' reports and notes to financial statements.

PROYECTO PASTORAL
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 633,582	\$ (202,810)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	126,490	124,968
Reduction of right of use assets	11,365	11,367
(Increase) decrease in:		
Contracts and grants receivable	276,403	(28,923)
Accounts receivable	(8,447)	18,249
Promises to give, net	(670,149)	749,371
Deposits and prepaid expenses	(98,088)	(103,959)
Increase (decrease) in:		
Accounts payable and accrued expenses	(228,131)	273,337
Accrued payroll and related liabilities	6,680	85,444
Deferred revenue	117,522	5,340,000
Right of use lease liabilities	(12,689)	(12,200)
Child development reserves	10	11
Total adjustments	(479,034)	6,457,665
Net Cash Provided (Used) by Operating Activities	154,548	6,254,855
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments related to acquisitions of property and equipment	(42,878)	(600,951)
Net Cash Provided (Used) by Investing Activities	(42,878)	(600,951)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	111,670	5,653,904
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,281,191	3,627,287
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 9,392,861	\$ 9,281,191
Supplementary Disclosures:		
Interest paid	\$ 1,303	\$ 1,898
Non-Cash Supplementary Disclosures:		
In-kind contributions	\$ 142,131	\$ 103,105

See accompanying auditors' reports and notes to financial statements.

PROYECTO PASTORAL
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

1. ORGANIZATION

Proyecto Pastoral (the Organization) is a non-profit organization with the mission to empower the community of Boyle Heights through grassroots projects in education, leadership, and service. The Organization's vision is that residents continually address evolving challenges in the community, and that Boyle Heights serves as a model for other communities to participate in their own social transformation. Proyecto Pastoral was founded in 1986 by Father Greg Boyle, S.J., and by parishioners of Dolores Mission, to address the inequities in education, immigration, homelessness and leadership. Resident engagement continues to be critical in its approach to how priorities are identified and implemented.

Today, the Organization has evolved to serve approximately 6,000 community residents annually through its five programs and by serving as the backbone organization to the collaborative Promesa Boyle Heights:

1. Early Childhood Education Centers - two centers providing a high-quality early education program for 100 children ages 18 months to 5 years, and their parents, free of charge for most families.
2. Comunidad en Movimiento - a community organizing effort led by a core group of community leaders to promote public safety, civic engagement, and leadership in the community.
3. Guadalupe Homeless Project - two emergency homeless shelters serving 300 men and senior-aged women annually with food, shelter, and strategic wraparound support services to help residents transition to housing.
4. IMPACTO - a youth development program providing in-school academic case management, summer camp, and after-school enrichment, tutoring, arts, sports and recreation programs for 800 youth ages 5-18 across five sites.
5. Promesa Boyle Heights - a community-wide collaborative of residents, educators, and 30+ community organizations working together to build a cradle-to-career pipeline for youth in Boyle Heights.

Across these five core initiatives, the Organization seeks to build community power in Boyle Heights, understanding that low-income resident leaders of color-those most impacted by systemic inequities-can create transformational change rooted in values of justice, solidarity and dignity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by the Organization are described below to enhance the usefulness and understandability of the financial statements.

PROYECTO PASTORAL
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period or are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The Organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor restricted until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Receivables

Receivables consist of contracts, grants and accounts receivables and are stated at the amount management expects to collect from outstanding balances. Receivables are primarily unsecured amounts due on cost reimbursement or performance contracts. Any amount that is denied for reimbursement is written off when the Organization receives notification from the grantor agency. The Organization uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management's opinion, all contracts and accounts receivable were collectible at year-end. No credit losses or allowance for doubtful accounts for contracts and accounts receivable are considered necessary at June 30, 2025.

**PROYECTO PASTORAL
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Promises to Give

When a donor has unconditionally promised to contribute funds in future periods, the Center recognizes the fair value of the pledge receivable. Pledges expected to be collected in future years are recorded as a donation and a receivable at the present value of the expected future cash flows. Pledges receivable at June 30, 2025 are expected to be collected within one year. An allowance for doubtful accounts in the amount of \$16,667 is considered necessary at June 30, 2025.

Deposits and Prepaid Expenses

Prepaid insurance, deposits and other costs are expensed ratably over their respective terms of agreement.

Property and Equipment, Net

Land, buildings, property, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land, buildings, and property are capitalized. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and improvements	15 - 31 years
Computers	5 years
Furniture and fixtures	5 – 15 years
Leasehold Improvements	Life of asset or the remaining lease term, if shorter
Vehicles	5 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Government funded assets are recorded as an asset and an offsetting liability. The related assets are depreciated over their estimated useful lives and a corresponding amount reduces the related liability each year and is recognized as revenue.

PROYECTO PASTORAL
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Right of Use Assets and Liabilities

The Organization recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Organization is a lessee in a noncancellable operating lease for office space. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Organization uses its incremental borrowing rate if applicable or relative treasury bill rate.

Since the Organization does not have any borrowing debt and therefore, does not have any incremental borrowing rate, as such, the relative treasury bill rate is used for all leases. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Deferred Revenue

Deferred revenue represents revenues collected but not earned during the year ended June 30, 2025.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received net assets with donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Revenue Recognition

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in grants and contributions in the statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2025 the allowance for doubtful accounts totaled \$16,667.

PROYECTO PASTORAL
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue Recognition – Continued

Revenue is recognized when earned. A portion of revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization incurs expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as grant advances in the statements of financial position.

The Organization recognizes contributions when cash, an unconditional promise to give, or a notification of beneficial interest is received. 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.

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Organization records various types of in-kind support, including equipment and supplies, and use of facilities, as in-kind contributions revenue. Contributions of tangible assets are recognized at fair value when received. Volunteers contribute amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

Government Revenue

Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit under the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Expense Recognition and Allocation

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

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(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi). The Organization has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2025, the Organization had no material unrecognized tax benefits, tax penalties or interest.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended June 30, 2024, 2023, and 2022, are subject to examination by the IRS, generally for 3 years after they were filed.

The Organization's Forms 199, *California Exempt Organization Return*, for each of the tax years ended June 30, 2024, 2023, 2022, and 2021, are subject to examination by the Franchise Tax Board, generally for 4 years after they were filed.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2024 comparative totals have been reclassified to conform with the 2025 reporting format.

Comparative Totals

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2025, from which the summarized information was derived.

PROYECTO PASTORAL
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and receivables approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

PROYECTO PASTORAL
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025
(CONTINUED)

3. PROMISES TO GIVE, NET

Unconditional promises to give at June 30, 2025 are expected to be collected as follows:

	Amount
Within one year	\$ 1,283,500
One to five years	850,000
	2,133,500
Less present value discount (2%)	(16,667)
Total	\$ 2,116,833

4. PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2025 consists of the following:

	Amount
Building and improvements	\$ 3,196,491
Computers	200,698
Furniture and fixtures	544,591
Land	281,032
Leasehold improvements	495,151
Vehicles	219,721
	4,937,684
Less accumulated depreciation	(3,086,916)
Property and equipment, net	\$ 1,850,768

Total depreciation expense charged to operations was \$126,490 for the year ended June 30, 2025.

5. CHILD DEVELOPMENT RESERVES

Child development contractors are allowed, with prior CDE and/or CDSS approval, to maintain a reserve account from earned but unexpended child development contract funds for three types of programs: Center Based, Resource and Referral, and Alternative Payment. Transfers from a reserve account are considered restricted income for child development programs but may be applied to any of the contracts that are eligible to contribute to that particular program type.

The Organization maintains a reserve account for Center-Based contracts, and funds are deposited into an interest-bearing account. The reserve account balance at June 30, 2025 was \$392, which is recorded as an asset in the cash account. Also, upon termination of all child development center-based contracts, the Organization would have to return the reserve funds to CDE and/or CDSS, so the reserve account is recorded as a liability in the amount of \$392.

The reserve account balance of \$392 includes interest of \$10 that the bank paid on the account balances during the year ended June 30, 2025.

PROYECTO PASTORAL
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025
(CONTINUED)

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Net assets with donor restrictions were released by incurring expenses, satisfying the restricted purposes or by occurrence of other events specified by donors.

Net asset with donor restrictions for the year ended June 30, 2025 are as follows:

	Balance at June 30, 2024	Income	Expenditures	Balance at June 30, 2025
Community in Action	\$ 22,196	\$ 102,000	\$ (22,196)	\$ 102,000
Early Childhood Education	111,234	124,167	(152,067)	83,334
Guadalupe Homeless Project	118,667	187,367	(256,270)	49,764
IMPACTO	785,003	662,532	(808,784)	638,751
Promesa Boyle Heights	804,642	225,731	(761,046)	269,327
Promises to give	144,550	2,039,500	(215,308)	1,968,742
Total	<u>\$ 1,986,292</u>	<u>\$ 3,341,297</u>	<u>\$ (2,215,671)</u>	<u>\$ 3,111,918</u>

Promises to give are subject to the passage of time that are not restricted by donors, but which are unavailable for expenditure until due.

7. IN-KIND CONTRIBUTIONS

The use of facilities is valued based on estimated fair value of recent comparable rental properties in the Los Angeles market. Donated goods were recognized at estimated cost incurred by the donor. Facilities and goods donated were utilized for program services and management and general activities. The value of donated goods included as contributions in the financial statements and the corresponding expenses for the year ended June 30, 2025 are as follows:

	Amount
Donated goods	\$ 107,631
Use of facilities	34,500
Total	<u>\$ 142,131</u>

In-Kind Rent - The fair value of the donated facilities is based on comparable rental properties.

In-Kind Donated Goods - In-kind contributions are valued at the estimated fair value on the basis of estimates of wholesale values that would be received for selling similar products in the U.S.

Donor Restrictions - There were no donor restrictions on any in-kind contributions received during the year ended June 30, 2025.

Monetization of In-Kind Contributions – The Organization does not monetize in-kind contributions and only distributes goods or uses the services for program use.

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NOTES TO FINANCIAL STATEMENTS
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(CONTINUED)

8. RIGHT OF USE ASSETS AND LEASE LIABILITIES

In 2023, the Organization entered into two copier leases under noncancelable financing lease agreements that expire through April 2028. For the year ended June 30, 2025, total financing lease costs included \$11,366 of lease amortization and \$1,303 of interest expense.

The following table summarizes the weighted average remaining lease term and discount rate for operating leases:

Weighted average remaining lease term	2.55 years
Weighted average discount rate	3.93%

Amounts disclosed for ROU assets obtained in exchange for lease obligations and reductions to ROU assets resulting from reductions to lease obligations include amounts added to or reduced from the carrying amount of ROU assets resulting from new lease, lease modifications or reassessments. Maturities of lease liabilities under noncancellable operating leases as of June 30, 2025, are as follows:

Year Ended June 30;	Amount
2026	\$ 13,992
2027	13,992
2028	8,666
Total undiscounted lease payments	36,650
Less present value discount	(9,225)
Lease liability balance	\$ 27,425

9. LINE OF CREDIT

The Organization has a revolving line of credit, for \$800,000 with a maturity date of December 1, 2026 with First Citizens Bank. The line of credit's interest will accrue on the outstanding principal balance of the loan at a variable interest rate that is 2.500 percentage points above percentage points above the one (1) month forward-looking term Secured Overnight Financing Rate. The line of credit is collateralized by receivables, inventory and equipment. During the year the line of credit was not used nor was any interest expense charged to any programs. At June 30, 2025, there was no balance due on the line of credit.

10. CONTINGENCIES

Contracts and Grants

The Organization has received Federal and State 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 will not be material.

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(CONTINUED)

11. RISK AND UNCERTAINTIES

The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market and mutual funds. To date, the Organization has not experienced losses in any of these accounts.

The majority of the Organization's contributions and grants are received from corporations, foundations, and individuals and from agencies located throughout the state of California. As such, the Organization's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the Organization's services.

Credit risk associated with grants and contracts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, and others supportive of the Organization's mission. As of June 30, 2025 two agencies comprised 55% of contracts and grants receivables.

For the year ended June 30, 2025, four agencies comprised 60% of the Organization's grants and contributions revenue. For the years ended June 30, 2025, three government agencies comprised 72% of the Organization's government contract revenue.

12. NUTRITION PROGRAMS

The Organization has a nutrition agreement with CDSS for Child and Adult Care Food Programs, as reported in the Schedule of Expenditures of Federal and State Awards. However, no nutrition audit report schedules are included in the audit because (1) the audit disclosed no nutrition overpayments, underpayments, or program findings; (2) the contractor did not request reimbursement of audit costs; and (3) the audit is not a program-specific nutrition audit.

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(CONTINUED)

13. LIQUIDITY AND FUNDS AVAILABLE

The total financial assets held by the Organization at June 30, 2025 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	June 30, 2025
Financial assets:	
Cash and cash equivalents	\$ 9,392,861
Contracts receivable	939,772
Accounts receivable	27,633
Total financial assets	10,360,266
Less imposed restrictions:	
Deferred revenue	(5,469,330)
Net assets with donor restrictions	(3,111,918)
Total imposed restrictions	8,581,248
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,779,018

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$2,200,000). As part of its liquidity plan, the Center bills government-funded contracts in accordance with funding terms and conditions or receives periodic advances from funders, generally monthly or quarterly. Amounts available for expenditure over the period of the next twelve months are dependent on governmental funder's payment cycles which vary from 60 to 120 days. The Organization has an \$800,000 line of credit available to meet cash flow needs.

14. SUBSEQUENT EVENTS

The Organization 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 15, 2025, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.