Sobrato Early Academic Language Program

Financial Statements

June 30, 2025

armanino

TABLE OF CONTENTS

	Page No.
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sobrato Early Academic Language Program

Opinion

We have audited the accompanying financial statements of Sobrato Early Academic Language Program (the "Organization"), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sobrato Early Academic Language Program 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sobrato Early Academic Language Program and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Sobrato Early Academic Language Program's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 Sobrato Early Academic Language Program'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 Sobrato Early Academic Language Program'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.



Los Angeles, California

November 26, 2025

Sobrato Early Academic Language Program
Statement of Financial Position
June 30, 2025

ASSETS

Current assets	
Cash and cash equivalents	$ 7,072,233
Accounts receivable	442,351
Investments in marketable securities	8,246,173
Prepaid expenses	142,391
Total current assets	15,903,148
Property and equipment, net	24,727
Deposits	17,664
Right of use asset, operating, net	63,083
Total assets	$ 16,008,622

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	$ 274,163
Accrued expenses	657,803
Deferred revenue	155,000
Right of use liability, current portion	19,690
Total current liabilities	1,106,656
Lease liability, net of current portion	43,393
Total liabilities	1,150,049
Net assets	
Without donor restrictions	14,611,573
With donor restrictions	247,000
Total net assets	14,858,573
Total liabilities and net assets	$ 16,008,622

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

Sobrato Early Academic Language Program
Statement of Activities
For the Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants and contributions	$ 7,497,392	$ 575,000	$ 8,072,392
Program services fee revenue	2,247,889	-	2,247,889
In-kind contributions	37,248	-	37,248
Interest and dividend income	477,906	-	477,906
Investment gains	389,840	-	389,840
Net assets released from restriction	328,000	(328,000)	-
Total support and revenue	10,978,275	247,000	11,225,275
Functional expenses			
Program services			
Policy	741,895	-	741,895
Research	816,697	-	816,697
SEAL Practice	6,359,161	-	6,359,161
Total program services	7,917,753	-	7,917,753
Support services			
General and administrative	1,302,761	-	1,302,761
Fundraising	558,079	-	558,079
Total support services	1,860,840	-	1,860,840
Total functional expenses	9,778,593	-	9,778,593
Change in net assets	1,199,682	247,000	1,446,682
Net assets, beginning of year	13,411,891	-	13,411,891
Net assets, end of year	$ 14,611,573	$ 247,000	$ 14,858,573

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

Sobrato Early Academic Language Program
Statement of Functional Expenses
For the Year Ended June 30, 2025

	Program Services				Support Services			
	Policy	Research	SEAL Practice	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total
Personnel expenses								
Salaries and wages	$ 470,275	$ 529,059	$ 3,703,414	$ 4,702,748	$ 822,981	$ 352,706	$ 1,175,687	$ 5,878,435
Employee benefits	94,423	106,226	745,721	946,370	165,239	70,817	236,056	1,182,426
Payroll taxes	34,731	39,072	273,503	347,306	60,778	26,048	86,826	434,132
Total personnel expenses	599,429	674,357	4,722,638	5,996,424	1,048,998	449,571	1,498,569	7,494,993
Expenses								
Program consultants	547	3,050	40,590	44,187	-	1,350	1,350	45,537
Professional services	46,096	51,704	364,493	462,293	126,811	34,469	161,280	623,573
Program supplies	308	1,339	101,566	103,213	2	111	113	103,326
Demonstration sites	-	-	58,647	58,647	-	-	-	58,647
Advertising	14,215	15,992	111,945	142,152	24,878	10,661	35,539	177,691
Travel and mileage	18,939	5,280	433,417	457,636	4,182	8,644	12,826	470,462
Conferences, conventions, and meetings	10,840	12,098	130,466	153,404	18,818	9,565	28,383	181,787
Dues and subscriptions	15,048	14,497	101,480	131,025	22,551	13,238	35,789	166,814
Rent	2,674	3,008	24,318	30,000	4,678	2,005	6,683	36,683
Meetings and convenings	8,036	8,495	59,584	76,115	13,216	6,909	20,125	96,240
Insurance	1,623	1,825	12,778	16,226	2,840	1,217	4,057	20,283
Office supplies	1,996	2,279	16,454	20,729	3,467	1,539	5,006	25,735
Equipment rental	1,941	2,183	15,284	19,408	3,396	1,456	4,852	24,260
Depreciation	1,528	1,719	12,033	15,280	2,674	1,146	3,820	19,100
Facilities	3,685	3,936	27,585	35,206	6,124	2,624	8,748	43,954
Utilities	530	596	4,172	5,298	927	397	1,324	6,622
Postage	148	167	1,167	1,482	259	111	370	1,852
Printing and publication	6,839	7,061	49,428	63,328	10,983	4,707	15,690	79,018
Bank charges	3,791	4,265	29,853	37,909	6,634	2,843	9,477	47,386
Taxes and licenses	2,795	2,029	35,541	40,365	52	22	74	40,439
Meals and entertainment	-	-	-	-	-	4,949	4,949	4,949
Contributions	887	817	5,722	7,426	1,271	545	1,816	9,242
Total expenses	142,466	142,340	1,636,523	1,921,329	253,763	108,508	362,271	2,283,600
	$ 741,895	$ 816,697	$ 6,359,161	$ 7,917,753	$ 1,302,761	$ 558,079	$ 1,860,840	$ 9,778,593
Percentage of total	7.6 %	8.4 %	65.0 %	81.0 %	13.3 %	5.7 %	19.0 %	100.0 %

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

Sobrato Early Academic Language Program
Statement of Cash Flows
For the Year Ended June 30, 2025

Cash flows from operating activities	
Change in net assets	$ 1,446,682
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	19,100
Realized and unrealized gains on investments in marketable securities	(389,840)
Accounts receivable	173,657
Prepaid expenses	(75,507)
Accounts payable	429
Accrued expenses	243,455
Deferred revenue	155,000
Net cash provided by operating activities	1,572,976
Cash flows from investing activities	
Purchases of property and equipment	(20,572)
Sale of investments in marketable securities	555,049
Net cash provided by investing activities	534,477
Net increase in cash and cash equivalents	2,107,453
Cash and cash equivalents, beginning of year	4,964,780
Cash and cash equivalents, end of year	$ 7,072,233

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

Sobrato Early Academic Language Program
Notes to Financial Statements
June 30, 2025

1. NATURE OF OPERATIONS

Sobrato Early Academic Language (the "Organization" or "SEAL") is a nonprofit corporation incorporated in California on July 1, 2019 that originally operated within Sobrato Family Foundation ("SFF") for over a decade. Effective July 1, 2019, SEAL separated from Sobrato Family Foundation and became a new organization. Despite this separation, SFF continues to provide grant funding and strategic support to sustain SEAL's impact in advancing educational equity for English learners.

The Organization has developed, operates and delivers a robust research and evidence-based approach to teaching and learning that transforms classrooms and school systems by providing professional development, curriculum support, and technical assistance. As a result, teachers are equipped to center the assets and needs of their Dual Language/English Learner students while supporting rich and rigorous learning for all students. SEAL works across the state of California, partnering with preschool programs, elementary schools, districts, county offices of education, and other educational stakeholders to ensure California's culturally and linguistically diverse children thrive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Organization's financial statements are presented in accordance with accounting principle generally accepted in the United States of America ("U.S. GAAP") on an accrual basis. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

The Organization reports its financial position and operating activities in two classes of net assets:

- *Net assets without donor restrictions* - includes those assets that are not subject to donor imposed restrictions and can be used for the general operations of the Organization. The Board of Directors has discretionary control in carrying out the operations of the Organization.
- *Net assets with donor restrictions* - includes those assets which are subject to donor stipulations and for which the applicable restriction was not met as of end of the current reporting period. Other donor-imposed restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are no net assets restricted in perpetuity as of June 30, 2025.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restrictions and recognized as net assets without donor restrictions. Contributions that are restricted by the donor/grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash

Cash balances exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes is it not exposed to any significant risk on cash accounts.

Contributions and grants receivable

Contributions and grants receivable represent billed and uncollected grant revenue. An allowance for credit losses is maintained, based on past experiences, current aging status of receivables, reasonable and supportable forecasts, and other circumstances. Management believes that all of its accounts are collectible; accordingly, no allowance for credit losses was recorded as of June 30, 2025.

Investments in marketable securities

Investments in marketable securities are recorded at fair value. Investments received by donation are recorded at fair value at the date of donation. Net realized and unrealized gains or losses are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor restriction or by law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of nonperformance risk.

In determining fair value, the Organization utilizes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Organization for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- *Level 1* - Quoted prices in active markets for identical assets or liabilities. Investments in Level 1 include cash equivalents, U.S. Treasury bills and listed equity and fixed income securities.
- *Level 2* - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- *Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Organization has no investments that are categorized as Level 3.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Property and equipment

Furniture, equipment and leasehold improvements are carried at cost or, if donated, at their fair value at the date of donation. The Organization capitalizes all acquisitions of property in excess of $1,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from three to five years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions

Grants and contributions are recognized as revenue when the donor makes an unconditional promise to give to the Organization. Donor-restricted grants and contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets released from restrictions represent satisfaction of donor restrictions or the passage of time. Conditional promises to give are not recognized until the barriers on which they depend are substantially met and the promises become unconditional. There were no conditional promises as of June 30, 2025.

Government support

A portion of the Organization's revenue is derived from cost-reimbursable contracts from governmental agencies, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. The revenue generated from these contracts meets the criteria to be classified as conditional contributions as they contain barriers related to the incurrence of qualifying expenditures and a right of return or release. Amounts received are recognized as revenues when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Program services fee revenue

Program services fee revenue is recognized as revenue in the period services are provided which occurs during the academic school years within the Organization's fiscal year. Program services fee revenue received in advance of the services provided is deferred until the services are provided.

The Organization follows the following steps to determine revenue recognition:

- Identifying the contract(s) with a customer.
- Identifying the performance obligations in the contract(s),
- Determining the transaction price,
- Allocating the transaction price to the performance obligations in the contract(s), and
- Recognizing revenue when, or as, the Organization satisfies a performance obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions

In-kind contributions are reflected as contributions at fair value at the date of donation and are reported as support without donor restrictions unless specific donor stipulations specify how donated assets must be used. All donated services which require a specialized skill and which the Organization would have paid for if not donated, are recorded in the financial statements as in-kind contribution revenue at the estimated fair value at the time the services are rendered. The Organization received $37,248 of in-kind rent during the year ended June 30, 2025.

Functional expense allocations

Directly identifiable expenses are charged to program and support services. Indirect functional expenses are allocated to program and support services based on an analysis of personnel time.

Income taxes

The Organization is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from state income tax under Section 23701d of the California Revenue and Taxation Code.

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 Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

Subsequent events

The Organization has evaluated subsequent events for recognition and disclosure through November 26, 2025, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. All donor restricted net assets would be released and used within the next fiscal year.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The following is a quantitative disclosure which describes financial assets that are available as of June 30, 2025 to fund general expenditures and other obligations when they become due for one year:

Financial assets	
Cash and cash equivalents	$ 7,072,233
Accounts receivable	442,351
Investments in marketable securities	8,246,173
	15,760,757
Less amounts unavailable for general expenditure within one year:	
Donor restrictions	(247,000)
	(247,000)
	$ 15,513,757

4. INVESTMENTS IN MARKETABLE SECURITIES

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds and equity securities with readily determinable fair values based on daily redemption values. The Organization invests in various fixed income securities traded in the financial markets. Those CDs, corporate bonds, and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2025:

	Level 1	Level 2	Level 3	Fair Value
Fixed income	$ -	$ 4,541,526	$ -	$ 4,541,526
Mutual funds	242,427	-	-	242,427
Certificates of deposit	-	1,749,597	-	1,749,597
Equity securities	1,712,623	-	-	1,712,623
	$ 1,955,050	$ 6,291,123	$ -	$ 8,246,173

5. RETIREMENT PLAN

The Organization maintains a tax deferred 401(k) retirement plan to provide retirement benefits for all eligible employees. The plan provides for Organization discretionary matching contributions for up to 6% of eligible employee compensation. The Organization's contributions for the year ended June 30, 2025 were $326,225.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

Furniture and equipment	$ 167,341
Accumulated depreciation	(142,614)
	$ 24,727

Depreciation expense for the year ended June 30, 2025 was $19,100.

7. COMMITMENTS

The Organization leases office equipment effective May 1, 2023 for $1,805 per month for 63 months. The interest rate utilized is 3.64% which was the risk free rate at inception.

Future maturities of right of use liability are as follows:

Year ending June 30,	
2026	$ 21,660
2027	21,660
2028	21,660
2029	1,805
	66,785
Less: debt discount	(3,702)
	$ 63,083

Grants

Conditions contained within grants awarded to the Organization are subject to the funding agencies' criteria under which expenditures may be charged against the grant. Should costs incurred against the grants not comply with the established criteria that govern the grants, the Organization could be held responsible for the repayments to the funding source for any disallowed costs or be subject to reductions of future funding in the amount of the disallowed costs. Management is not aware of any material questioned costs for any such grants.

8. RELATED PARTY TRANSACTIONS

For the year ended June 30, 2025, $5,250,000 of total grants and contributions and program services fee revenue were provided by the Sobrato Family Foundation (see Note 1).

For the year ended June 30, 2025, approximately $59,000 of contributions were provided by board members.