

**EASTERN CHRISTIAN SCHOOL ASSOCIATION
AND AFFILIATES
Combined Financial Statements
August 31, 2024 and 2023
With Independent Auditor's Reports**

Eastern Christian School Association and Affiliates
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August 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Eastern Christian School Association and Affiliates:

Report on the Audit of the Combined Financial Statements

Qualified Opinion

We have audited the combined financial statements of Eastern Christian School Association and Affiliates (a Non-Profit Organization) (the "Organization"), which comprise the combined statements of financial position as of August 31, 2024 and 2023, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organization as of August 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

The Organization has not maintained sufficient accounting records and supporting documentation relating to contributions of nonfinancial assets and inventory on hand of thrift store inventory. Accordingly, we were unable to apply auditing procedures sufficient to determine the extent to which the accompanying combined financial statements may have been affected by these conditions.

Further, as described in Note 1 – Contributions of Nonfinancial Assets to the combined financial statements, the Organization has excluded from assets any value of thrift store inventory on hand. The contribution of nonfinancial assets and cost of thrift inventory sold have also been excluded in the accompanying combined statements of activities and functional expenses. The amount of the excluded inventory, related contributions of nonfinancial assets and cost of thrift store inventory sold are not reasonably determinable. Accounting principles generally accepted in the United States of America require that these assets and related activities be included in the accompanying combined financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter – Restatement

As described in Note 20 to the combined financial statements, the Organization's previously issued 2023 combined financial statements have been restated to correct errors that were not in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 combined financial statements.

In performing an audit in accordance with GAAS 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 combined 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 combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining schedules of financial position as of August 31, 2024 and 2023 and combining schedules of activities for the years then ended are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC". The signature is written in a cursive, flowing style.

December 29, 2025

Eastern Christian School Association and Affiliates
Combined Statements of Financial Position
August 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> <u>(Restated)</u>
Assets		
Current assets		
Cash and cash equivalents (including board designated cash of \$33,680 and \$24,425 at August 31, 2024 and 2023, respectively)	\$ 1,301,899	\$ 1,438,950
Tuition receivables, net	196,183	123,662
Notes receivable, net	20,000	11,098
Unconditional promises to give, net	75,000	40,000
Grants receivable	186,781	86,577
Investments (including board designated investments of \$7,672,658 and \$6,864,095 at August 31, 2024 and 2023, respectively)	7,801,143	6,975,220
Other current assets	<u>238,829</u>	<u>79,330</u>
Total current assets	<u>9,819,835</u>	<u>8,754,837</u>
Property and equipment, net	<u>10,766,421</u>	<u>8,859,042</u>
Right-of-use assets, net	<u>135,961</u>	<u>250,542</u>
Restricted cash	35,870	91,560
Notes receivable, net of current portion	19,612	31,958
Unconditional promises to give, net of current portion	28,750	60,000
Investments - permanent endowment	2,211,715	1,338,480
Other non-current assets	<u>350,000</u>	<u>365,000</u>
	<u>2,645,947</u>	<u>1,886,998</u>
Total assets	<u>\$ 23,368,164</u>	<u>\$ 19,751,419</u>

The Notes to Combined Financial Statements are an integral part of these statements.

Eastern Christian School Association and Affiliates
Combined Statements of Financial Position
August 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> <u>(Restated)</u>
Liabilities and Net Assets		
Current liabilities		
Line of credit	\$ 745,923	\$ -
Accounts payable	617,574	621,115
Accrued expenses	756,255	724,062
Notes payable, current portion	273,773	113,926
Deferred income	2,890,570	2,963,944
Lease liabilities - operating, current portion	<u>89,178</u>	<u>121,291</u>
Total current liabilities	<u>5,373,273</u>	<u>4,544,338</u>
Long-term liabilities		
Notes payable, net of current portion and debt discount	6,405,710	4,664,676
Interest rate swap	104,446	-
Rental security deposit	25,500	-
Lease liabilities - operating, net of current portion	<u>46,783</u>	<u>129,397</u>
Total liabilities	<u>11,955,712</u>	<u>9,338,411</u>
Net assets		
Without donor restrictions		
Undesignated	1,175,879	1,445,767
Designated by the Board	<u>7,714,736</u>	<u>6,898,905</u>
Total net assets without donor restrictions	<u>8,890,615</u>	<u>8,344,672</u>
With donor restrictions		
Endowment	2,175,625	1,729,977
Purpose restricted funds	<u>346,212</u>	<u>338,359</u>
Total net assets with donor restrictions	<u>2,521,837</u>	<u>2,068,336</u>
Total net assets	<u>11,412,452</u>	<u>10,413,008</u>
Total liabilities and net assets	<u>\$ 23,368,164</u>	<u>\$ 19,751,419</u>

The Notes to Combined Financial Statements are an integral part of these statements.

Eastern Christian School Association and Affiliates
Combined Statement of Activities and Changes in Net Assets
Year Ended August 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Tuition and fees, net	\$ 11,556,664	\$ -	\$ 11,556,664
Grants revenue	-	253,653	253,653
Rental revenue	242,795	-	242,795
Eagle Solar revenue	74,565	-	74,565
Eagle Camp revenue	431,319	-	431,319
Ditto thrift store revenue	896,458	-	896,458
Food service revenue	193,527	-	193,527
Other revenue	645,439	-	645,439
Contributions	1,176,068	684,271	1,860,339
Contributions of nonfinancial assets	24,786	-	24,786
Net assets released from restrictions	851,349	(851,349)	-
	<u>16,092,970</u>	<u>86,575</u>	<u>16,179,545</u>
Expenses			
Program services	11,706,519	-	11,706,519
Supporting services	3,358,211	-	3,358,211
Fundraising	1,556,598	-	1,556,598
	<u>16,621,328</u>	<u>-</u>	<u>16,621,328</u>
Changes in net assets from operations	<u>(528,358)</u>	<u>86,575</u>	<u>(441,783)</u>
Other income			
Investment income	174,501	26,556	201,057
Net unrealized gain on investments	836,144	256,517	1,092,661
Realized gain on sale of investments	168,102	83,853	251,955
	<u>1,178,747</u>	<u>366,926</u>	<u>1,545,673</u>
Non-operating activities			
Loss from change in value of interest rate swap	<u>(104,446)</u>	<u>-</u>	<u>(104,446)</u>
Changes in net assets	545,943	453,501	999,444
Net assets			
Beginning of year	<u>8,344,672</u>	<u>2,068,336</u>	<u>10,413,008</u>
End of year	<u>\$ 8,890,615</u>	<u>\$ 2,521,837</u>	<u>\$ 11,412,452</u>

The Notes to Combined Financial Statements are an integral part of this statement.

Eastern Christian School Association and Affiliates
Combined Statement of Activities and Changes in Net Assets
Year Ended August 31, 2023

	Without Donor Restrictions (Restated)	With Donor Restrictions (Restated)	Total (Restated)
Revenues			
Tuition and fees, net	\$ 10,632,077	\$ -	\$ 10,632,077
Grant revenue	-	112,538	112,538
Other revenue	380,869	-	380,869
Eagle Solar revenue	138,317	-	138,317
Eagle Camp revenue	388,754	-	388,754
Ditto thrift store revenue	932,205	-	932,205
Food service revenue	182,719	-	182,719
Rental revenue	268,285	-	268,285
Contributions	1,139,488	1,335,659	2,475,147
Contributions of nonfinancial assets	23,215	-	23,215
Net assets released from restrictions	<u>2,456,790</u>	<u>(2,456,790)</u>	<u>-</u>
Total revenues	<u>16,542,719</u>	<u>(1,008,593)</u>	<u>15,534,126</u>
Expenses			
Program services	10,615,843	-	10,615,843
Supporting services	2,932,450	-	2,932,450
Fundraising	<u>1,322,540</u>	<u>-</u>	<u>1,322,540</u>
	<u>14,870,833</u>	<u>-</u>	<u>14,870,833</u>
Changes in net assets from operations	<u>1,671,886</u>	<u>(1,008,593)</u>	<u>663,293</u>
Other income (expenses)			
Investment income	144,546	31,582	176,128
Net unrealized loss on investments	(93,289)	81,302	(11,987)
Realized gain on sale of investments	<u>466,292</u>	<u>30,155</u>	<u>496,447</u>
	<u>517,549</u>	<u>143,039</u>	<u>660,588</u>
Changes in net assets	2,189,435	(865,554)	1,323,881
Net assets			
Beginning of year	<u>6,155,237</u>	<u>2,933,890</u>	<u>9,089,127</u>
End of year	<u>\$ 8,344,672</u>	<u>\$ 2,068,336</u>	<u>\$ 10,413,008</u>

The Notes to Combined Financial Statements are an integral part of this statement.

Eastern Christian School Association and Affiliates
Combined Statement of Functional Expenses
Year Ended August 31, 2024

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses	\$ 9,075,402	\$ 1,713,341	\$ 679,218	\$ 11,467,961
Association expenses	123,129	816,011	-	939,140
Repairs and maintenance	956,037	122,604	-	1,078,641
Transportation expense	33,567	-	-	33,567
Educational supplies	598,639	207,366	197,079	1,003,084
Depreciation	623,991	-	49,357	673,348
Development expenses	-	-	348,175	348,175
Food service expenses	96,965	-	-	96,965
Insurance	-	177,751	-	177,751
Interest	-	278,935	-	278,935
Occupancy expenses	146	-	88,781	88,927
Other income	-	23,172	-	23,172
Provision for uncollectible tuition	86,729	-	-	86,729
Provision for uncollectible unconditional promises to give	-	-	6,000	6,000
Scholarships/trust distributions	75,900	-	-	75,900
Eagle Solar expenses	-	19,031	-	19,031
Eagle Camp expenses	36,014	-	-	36,014
Other Ditto thrift store expenses	-	-	187,988	187,988
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 11,706,519</u>	<u>\$ 3,358,211</u>	<u>\$ 1,556,598</u>	<u>\$ 16,621,328</u>

The Notes to Combined Financial Statements are an integral part of this statement.

**Eastern Christian School Association and Affiliates
 Combined Statement of Functional Expenses
 Year Ended August 31, 2023**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses	\$ 8,400,246	\$ 1,666,021	\$ 707,207	\$ 10,773,474
Association expenses	81,606	607,491	-	689,097
Repairs and maintenance	921,870	140,932	-	1,062,802
Transportation expense	48,049	-	-	48,049
Educational supplies	548,897	153,216	3,490	705,603
Depreciation	402,042	-	47,830	449,872
Development expenses	-	-	291,682	291,682
Food service expenses	122,542	-	-	122,542
Insurance	-	123,255	-	123,255
Interest	-	237,115	-	237,115
Occupancy expenses	146	-	103,937	104,083
Other expenses	-	(9,905)	-	(9,905)
Provision for uncollectible tuition	19,574	-	-	19,574
Provision for uncollectible unconditional promises to give	-	-	800	800
Scholarships/trust distributions	48,050	-	-	48,050
Eagle Solar expenses	-	14,325	-	14,325
Eagle Camp expenses	22,821	-	-	22,821
Other Ditto thrift store expenses	-	-	167,594	167,594
	<u>\$ 10,615,843</u>	<u>\$ 2,932,450</u>	<u>\$ 1,322,540</u>	<u>\$ 14,870,833</u>
Total functional expenses	<u>\$ 10,615,843</u>	<u>\$ 2,932,450</u>	<u>\$ 1,322,540</u>	<u>\$ 14,870,833</u>

The Notes to Combined Financial Statements are an integral part of this statement.

Eastern Christian School Association and Affiliates
Combined Statements of Cash Flows
Years Ended August 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> <u>(Restated)</u>
Operating activities		
Changes in net assets	\$ 999,444	\$ 1,323,881
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation	673,348	449,872
Amortization of right-of-use assets - operating	122,389	113,924
Provision for uncollectible tuition	86,729	19,574
Provision for uncollectible unconditional promises to give	6,000	800
Net unrealized (gains) losses on investments	(1,092,661)	11,987
Realized gains on sale of investments	(251,955)	(496,447)
Interest expense attributable to amortization of debt issuance costs	2,061	2,061
Deferred tax expense (benefit)	15,000	(16,000)
Change in value of interest rate swap	104,446	-
Proceeds from contributions restricted for endowment	(155,492)	(532,955)
Proceeds from contributions restricted for capital	(160,000)	(206,400)
Change in operating assets and liabilities		
Tuition receivables	(159,250)	(53,225)
Notes receivable	3,444	(2,567)
Unconditional promises to give	(9,750)	87,500
Grants receivable	(100,204)	177,246
Other current assets	(159,499)	69,030
Deferred income	(73,374)	146,807
Accounts payable	(3,541)	448,355
Accrued expenses	32,193	51,497
Rental security deposit	25,500	-
Lease liability - operating	(122,535)	(113,778)
Net cash (used in) provided by operating activities	<u>(217,707)</u>	<u>1,481,162</u>
Investing activities		
Purchases of investments, net	(2,717,656)	(8,912,749)
Sale of investments	2,363,114	8,898,692
Acquisition of property and equipment	<u>(2,534,250)</u>	<u>(3,944,252)</u>
Net cash used in investing activities	<u>(2,888,792)</u>	<u>(3,958,309)</u>
Financing activities		
Net change in line of credit	745,923	-
Proceeds from notes payable	1,968,024	-
Repayment of notes payable	(115,681)	(278,999)
Proceeds from contributions restricted for endowment	155,492	532,955
Proceeds from contributions restricted for capital	<u>160,000</u>	<u>206,400</u>
Net cash provided by financing activities	<u>2,913,758</u>	<u>460,356</u>
Net change in cash, cash equivalents and restricted cash	(192,741)	(2,016,791)
Cash, cash equivalents and restricted cash		
Beginning of year	<u>1,530,510</u>	<u>3,547,301</u>
End of year	<u>\$ 1,337,769</u>	<u>\$ 1,530,510</u>

The Notes to Combined Financial Statements are an integral part of these statements.

Eastern Christian School Association and Affiliates
Combined Statements of Cash Flows
Years Ended August 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> <u>(Restated)</u>
Cash and restricted cash as reported within the combined statements of financial position		
Cash and cash equivalents	\$ 1,301,899	\$ 1,438,950
Restricted cash	<u>35,870</u>	<u>91,560</u>
Total cash and restricted cash	<u>\$ 1,337,769</u>	<u>\$ 1,530,510</u>

The Notes to Combined Financial Statements are an integral part of these statements.

Eastern Christian School Association and Affiliates

Notes to Combined Financial Statements

August 31, 2024 and 2023

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Combination

The accompanying combined financial statements of Eastern Christian School Association and Affiliates (a Non-Profit Organization), includes the following entities: Eastern Christian School Association (“ECSA” or the “School”), The Foundation for Eastern Christian School Association (the “Foundation”), Ditto of North Jersey, LLC (“Ditto”) and Eagle Solar, LLC (“Eagle”). The combined financial statements include the accounts of Eastern Christian School Association, The Foundation for Eastern Christian School Association, Ditto of North Jersey, LLC and Eagle Solar, LLC, which do not represent a single legal entity, but instead are entities under common management. Hereinafter, the combined entities are referred to as the “Organization.” All significant inter-company balances and transactions have been eliminated in this combination.

Nature of Organization

ECSA is a non-profit organization established under the laws of the State of New Jersey. ECSA operates as a private school and is dedicated to educating children in grades K-12 in the Light of God’s Word. There are three campuses located in northern New Jersey. ECSA is supported primarily through tuition and contributions from members.

The Foundation is a non-profit organization established under the laws of the State of New Jersey and is under common control with ECSA. The Foundation is responsible for the fundraising activities and the acceptance of contributions to the School.

Ditto is a single member limited liability company established under the laws of the State of Delaware and is wholly owned by the Foundation. Ditto operates as an upscale resale store which retails donated merchandise and is located in North Haledon, New Jersey. Ditto commenced operations in September 2010.

Eagle is a single member limited liability company established under the laws of the State of Delaware and is wholly owned by ECSA. Eagle owns and operates three solar power systems, placed at each of the School’s locations. The solar equipment commenced generating power between June and July 2011.

Basis of Presentation

These combined financial statements have been prepared on the accrual basis of accounting and in accordance with the accounting standards relating to financial statements for not-for-profit organizations. Under these accounting standards, net assets and revenues, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. This includes net assets designated by the Board.

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which that resource was restricted has been fulfilled, or both. The designation of net assets for specific purposes by the Organization itself does not constitute a basis for reclassifying them as net assets with donor restrictions.

Eastern Christian School Association and Affiliates
Notes to Combined Financial Statements
August 31, 2024 and 2023

Support With and Without Donor Restrictions

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations or satisfactions of purpose or time restrictions on net assets are reported as satisfaction of donor restrictions.

Cash and Cash Equivalents

For purposes of the combined statements of cash flows, the School considers all highly liquid, non-endowment, investments with an initial maturity of three months or less to be cash equivalents.

Tuition and Notes Receivable

Tuition receivables represent uncollateralized customer obligations due under normal terms requiring payment in accordance with the established tuition contracts signed by parents of students enrolled in ECSA. The payment terms vary depending on payment options selected at the time the contracts are signed. Management does not charge interest on past due receivable balances. Tuition receivables, net, were \$196,183 and \$123,662 as of August 31, 2024 and 2023, respectively. Tuition receivables, net, were \$90,011 as of August 31, 2022.

Tuition receivables are stated at unpaid balances, net of allowance for credit losses. The School provides for losses on accounts receivable using the allowance method. The allowance is based on historical collection experience, adjusted for management's expectations about current and future economic conditions. The allowance is also based on other circumstances which may affect the ability of students' parents to meet their obligations. Accounts are written off when they are deemed to be uncollectible.

The following table represents a roll forward of the allowance for current expected credit losses for the year ended August 31, 2024:

Balance, beginning of year	\$ 292,512
Provision for credit losses	<u>90,173</u>
Balance, end of year	<u><u>\$ 382,685</u></u>

In order to secure payment on balances owed, the School will require families to sign promissory notes for unpaid tuition balances. Repayment terms can be either variable or fixed. As of August 31, 2024 and 2023, notes receivable, net, were \$39,612 and \$43,056, respectively. Notes receivable, net, were \$40,489 as of August 31, 2022. The allowance for losses from notes receivable is determined based on historical experience, coupled with payment history in accordance with terms of the underlying note agreements. Notes are considered delinquent if the repayment terms are not met. The allowance for credit losses against notes receivables was \$39,612 and \$43,056 as of August 31, 2024 and 2023, respectively.

Eastern Christian School Association and Affiliates
Notes to Combined Financial Statements
August 31, 2024 and 2023

Unconditional Promises to Give

ECSA reports promises to give (pledges) in accordance with accounting standards relating to accounting for contributions received and contributions made. These standards require ECSA to record unconditional promises to give as revenue when the promise is made and when the pledge card is signed. Conditional promises to give are not recognized until they become unconditional, that is when the conditions are substantially met. The cash flows are discounted at a discount rate commensurate with the risks involved. The discount rate is revised at each measurement date to reflect current market conditions. Amortization of the discount is included in contribution revenue. When considered necessary, an allowance is recorded based on management's estimate of un-collectability including such factors as prior collection history, type of contribution and the nature of the fundraising activity. For the years ended August 31, 2024 and 2023, the allowance for doubtful pledges was approximately \$6,000 and \$-0-, respectively.

Revenue Recognition

Tuition and Fees

Tuition fees income is derived from education programs for students Pre-K through 12th grade. Gross tuition and fees reflect the School's normal tuition rates for all students. Fee income consists of fees paid for registration, a capital improvement fee, transportation, parking and other activities. Tuition revenue is billed prior to the beginning of the academic year and is recognized ratably over the academic term to which it relates based on time elapsed. Tuition revenue is recognized in the school year that the scholastic services are provided. Financial aid, scholarships and other discounts awarded to students are netted against gross tuition and fees.

Deferred Tuition

Deferred tuition results from the School recognizing tuition revenue in the period in which the related educational instruction is performed. Accordingly, tuition received for the next school term is deferred until the instruction commences. Deferred tuition was \$2,770,189, \$2,852,704, and \$2,711,228 as of August 31, 2024, 2023, and 2022, respectively.

Grant Income and Contributions

Grant income is recognized as conditional promises to give, that is, those with a measurable performance or other measurable barrier, and a right of return or release and are not recognized until the conditions on which they depend have been substantially met. During the years ended August 31, 2024 and 2023, the School recognized grant income in its combined statements of activities for the full amount of the grant as the conditions were met. As a portion of the funds were not received as of August 31, 2024 and 2023, grants receivable totaling \$186,781 and \$86,577, respectively, were recorded on the combined statements of financial position. Grants receivable were \$263,823 as of August 31, 2022.

Unconditional contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Contributions are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined financial statements of activities as net assets released from restrictions.

Eagle Solar Revenue

Eagle Solar revenue is generated for sale of the solar renewal energy credits and is recognized when the SREC is sold to the user.

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Eagle Camp Revenue

The Organization provides camps that provide educational and recreational programs for students. Eagle Camp revenue is recognized as services are provided.

Ditto Thrift Store Revenue

Ditto thrift store revenue includes revenue that is derived from the sale of items that are previously donated to the thrift store. Revenue is recognized when the transaction takes place.

Food Service Revenue

The School operates a cafeteria and provides meals for students and staff. Revenue from food services is recognized when meals are provided.

Rental Income

The Organization leases facilities owned by the Organization under both short-term rentals and long-term rentals. Rental income is recognized on a straight-line basis over the lease term.

Other Revenue

Other revenue includes various miscellaneous revenue, which is recognized when the transaction takes place.

Accounting Estimates

The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant estimates include the allowance for credit losses, depreciation expense and the fair value measurements of investments. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

ECSA's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents, tuition receivables, unconditional promises to give and investments.

ECSA has significant cash balances at financial institutions, which throughout the year regularly exceed the federally insured limit of \$250,000. At August 31, 2024 and 2023, the uninsured cash balance was \$1,068,718 and \$1,605,772, respectively. Any loss incurred or a lack of access to such funds could have a significant adverse impact on ECSA's financial condition, changes in net assets and cash flows.

Concentrations of credit risk with respect to student tuition receivables are limited due to the large number of pupils comprising the School's student base.

At August 31, 2024, approximately 95% of ECSA's gross unconditional promises to give were due from 2 donors. At August 31, 2023, there were no concentrations of unconditional promises to give.

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Restricted and Board Designated Cash

Cash designated by the Board of Directors ("Board") or restricted by donors or other at August 31, 2024 and 2023 has been set aside for the following purposes:

	<u>2024</u>	<u>2023</u>
Board designated		
Quasi-endowment	\$ 33,680	\$ 24,425
Donor restricted		
Construction projects	\$ 4,982	\$ 134
Scholarships	5,759	91,426
	<u>\$ 10,741</u>	<u>\$ 91,560</u>
Other		
Security deposit - tenant	\$ 25,129	\$ -

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported in the combined statements of financial position at their fair values. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Investments designated by the Board or restricted by donors at August 31, 2024 and 2023 have been set aside for the following:

	<u>2024</u>	<u>2023</u>
Board designated		
Quasi-endowment	\$ 7,672,658	\$ 6,864,095
Donor restricted		
Equipment	\$ 31,159	\$ 26,972
Scholarships	2,309,041	1,422,633
	<u>\$ 2,340,200</u>	<u>\$ 1,449,605</u>

Property and Equipment

Property and equipment, net of accumulated depreciation is stated at cost for purchased items and at fair value for contributed items at the time they are donated. Major improvements are capitalized and amortized over their useful lives.

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Depreciation is provided for by using the straight-line method over the following estimated useful lives of the depreciable assets.

<u>Description</u>	<u>Estimated Life (Years)</u>
Buildings	40
Improvements	10-40*
Vehicles and buses	10
Furniture and fixtures	5-10

* Leasehold improvements are amortized over the lesser of the estimated useful life or the related lease term. Expenditures for repairs and maintenance, which do not extend the useful life of the related assets, are charged to expenses as incurred. Gain and loss upon disposal or abandonment of property and equipment are reflected in current year operations.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The School did not receive any donated property or equipment during the years ended August 31, 2024 and 2023.

Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount or fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment charges recorded during the years ended August 31, 2024 and 2023.

Debt Issuance Costs

Debt issuance costs are associated with a note payable that have been deferred and are being amortized over the life of the note using the straight-line method. Unamortized debt issuance costs are included in the notes payable balance on the accompanying combined statements of financial position. Amortization expense is included in interest expense.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Non-cash donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

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Volunteers contribute time in conjunction with ECSA's programs and services. The value of these services are not included in these combined financial statements as they would not typically be purchased by ECSA and do not require specialized skills.

Donated materials are recognized as contributions at their fair value in the period received. Merchandise donated to Ditto and not sold is valued at an estimated fair value based on the quantity of items on hand and the historical average sales price realized. As of August 31, 2024 and 2023, Ditto had merchandise on hand valued at approximately \$2,100, and is included under the caption "other current assets" on the combined statements of financial position. A volunteer paid expenses for Ditto totaling \$24,786 for the year ended August 31, 2024 and have been included within other Ditto thrift store expenses on the combined statements of functional expenses. There were no donated services received during the year ended August 31, 2023 by Ditto.

The Foundation did not receive any contributions of nonfinancial assets during the year ended August 31, 2024. The Foundation received donated materials totaling \$23,215 during the year ended August 31, 2023. During the year ended August 31, 2023, the amount of \$7,284 has been included in property and equipment within construction in progress on the combined statements of financial position and \$15,931 has been included within development expenses within fundraising on the combined statements of functional expenses. The donated materials were valued and reported based on the fair value of estimates of retail prices for buying similar products.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended August 31, 2024 and 2023 amounted to approximately \$80,100 and \$81,700, respectively.

Functional Allocation of Expenses

The costs for providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities. The combined statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs, supporting services and fundraising activities benefited. The expenses are allocated based on the department that incurred the expense.

Leases

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of twelve months or less are not recorded on the combined statements of financial position. The Organization had no finance leases as of August 31, 2024 and 2023.

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on the risk free rate. Right-of-use assets are recognized based on the initial present value of the fixed lease payments, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

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Interest Rate Swap

The Organization entered into an interest rate swap derivative instrument with a bank for interest rate risk exposure-measurement purposes. The interest rate swap utilized by the Organization converts its variable-rate debt to a fixed-rate basis, thus reducing the impact of interest rate changes on future interest expense.

The Organization accounts for this arrangement in accordance with Accounting Standards Update (“ASU”) 2014-03, Derivatives and Hedging (Topic 815): Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps—Simplified Hedge Accounting Approach (“ASU 2014-03”). The interest rate swap agreement is designed as a cash flow hedge and is reflected at fair value in the Organization’s statements of financial position. Changes in the fair value of derivative financial instruments are recognized in the statements of activities.

Income Taxes

ECSA, the Foundation and Ditto are exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. ECSA is also exempt from state income taxes. However, income from certain activities that are not directly related to ECSA, the Foundation and Ditto’s tax-exempt purpose are subject to taxation as unrelated business income. ECSA, the Foundation and Ditto had no unrelated business income for the years ended August 31, 2024 and 2023.

Eagle has elected to be taxed as a corporation for federal and state income taxes.

Deferred taxes on Eagle are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, operating loss, and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Eagle has net operating loss carryforwards of approximately \$1,297,600 and \$1,014,000 for federal and state income tax purposes, respectively, as of August 31, 2024, respectively, that expire at various times through 2035 and are subject to certain limitations and statutory expiration periods.

Deferred income tax assets and liabilities for Eagle arise from temporary differences relating to operating losses and depreciation and amortization being reported for financial accounting and tax purposes in different periods. Long-term deferred tax assets are reported net of long-term deferred tax liabilities and are classified on the combined statements of financial position as other non-current assets (see Note 7 and 15).

ECSA files income tax returns in the U.S. Federal jurisdiction, as well as in the New Jersey state jurisdiction.

Accounting for Uncertain Tax Positions

The Organization’s policy is to evaluate uncertain tax positions in accordance with Accounting Standards Codification (“ASC”) Topic 740, *Accounting for Uncertainty in Income Taxes*. Pursuant to ASC 740, management has determined that as of August 31, 2024 and 2023, it does not have any uncertain tax positions required to be reported.

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Accounting Pronouncement Adopted in the Current Year

In June 2016, the FASB issued an ASU amending the accounting for credit losses on financial instruments. This methodology replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities at amortized cost, tuition receivables, net investment in leases, off balance sheet credit exposure and other financial instruments recorded at amortized costs. The School adopted the new standard effective September 1, 2023, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption. The implementation of this standard did not have a material impact to the School's combined financial statements.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the combined statement of financial position date, comprise the following at August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,301,899	\$ 1,438,950
Tuition receivables, net	196,183	123,662
Notes receivable, net	20,000	11,098
Appropriation from quasi-endowment	<u>450,000</u>	<u>450,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,968,082</u>	<u>\$ 2,023,710</u>

For the year ended August 31, 2024, the Organization has \$1,968,082 of financial assets that could be available within one year of the combined statement of financial position date to meet the cash needs for general expenditures. The Organization has a goal to maintain financial assets, which consist of cash, to meet 60 days of normal operating expenses, which are on average \$2,333,333. With Board approval, \$7,672,658 of investments could be used to cover operating expenses if the Board changed their current designation. The Organization has a practice of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. As more fully described in Note 8, the Organization has a line of credit in the amount of \$500,000, which could be drawn upon in the event of an unanticipated liquidity need.

For the year ended August 31, 2023, the Organization has \$2,023,710 of financial assets that could be available within one year of the combined statement of financial position date to meet the cash needs for general expenditures. The Organization has a goal to maintain financial assets, which consist of cash, to meet 60 days of normal operating expenses, which are on average \$2,175,000. With Board approval, \$6,864,095 of investments could be used to cover operating expenses if the Board changed their current designation. The Organization has a practice of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. As more fully described in Note 8, the Organization has a line of credit in the amount of \$500,000, which could be drawn upon in the event of an unanticipated liquidity need.

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3. PROMISES TO GIVE (RESTATED)

Unconditional Promises to Give

Unconditional promises to give at August 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Unconditional promises to give	\$ 109,750	\$ 100,000
Less: Allowance for uncollectible pledges	<u>6,000</u>	<u>-</u>
Unconditional promises to give - net	<u>\$ 103,750</u>	<u>\$ 100,000</u>

The unconditional promises to give are due as follows at August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 75,000	\$ 40,000
One to five years	<u>28,750</u>	<u>60,000</u>
	<u>\$ 103,750</u>	<u>\$ 100,000</u>

Conditional Promises to Give

The Organization was notified by several donors that ECSA is named as a beneficiary in their will or in their life insurance policy. To date, no values have been communicated to the Organization. These promises to give have not been recorded in the accompanying combined financial statements due to the donors' ability to change their will. These promises to give will be recorded when ECSA is notified that the donor has passed away and ECSA is listed as the beneficiary in the will.

4. INVESTMENTS

Investments carried at fair value at August 31, 2024 and 2023 were as follows:

	<u>2024</u>	
	<u>Cost</u>	<u>Fair Value</u>
Investments		
Common stocks	\$ 1,725,368	\$ 2,357,433
Equities	128,485	128,485
Exchange traded products	2,670,295	2,917,274
Mutual funds	970,988	1,260,340
Preferred stocks	285,407	293,053
U.S. Treasury securities	<u>825,527</u>	<u>844,558</u>
	<u>\$ 6,606,070</u>	<u>\$ 7,801,143</u>
Investments - Permanent endowments		
Equities - Barnabas Foundation	<u>\$ 1,669,455</u>	<u>\$ 2,211,715</u>

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	2023	
	<u>Cost</u>	<u>Fair Value</u>
Investments		
Common stocks	\$ 1,920,710	\$ 2,105,367
Equities	111,125	111,125
Exchange traded products	2,377,671	2,438,483
Mutual funds	1,006,537	1,110,926
Preferred stocks	253,641	246,392
U.S. Treasury securities	951,029	962,927
	<u>\$ 6,620,713</u>	<u>\$ 6,975,220</u>
Investments - Permanent endowments		
Equities - Barnabas Foundation	<u>\$ 1,119,078</u>	<u>\$ 1,338,480</u>

5. FAIR VALUE ACCOUNTING

The FASB established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives 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 below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access. Such inputs include quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for ECSA's assets measured at fair value. There have been no changes in the methodologies used for the periods presented in these combined financial statements.

Money market funds and accrued interest - valued at cash value.

Common stocks – valued at the closing price reported on the active market on which the individual securities are traded.

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Equities - equities are valued at quoted market prices which represent the net asset value of shares held by the Organization at year-end. Equities – Barnabas Foundation are held within an investment pool and are based on the value at the time the redemption occurs.

Exchange-traded products, mutual funds and preferred stocks – valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

U.S. Treasury securities – U.S. Treasury securities are valued at quoted market prices of similar assets, which represent the fair market value of securities held by the Organization at year-end.

Unconditional promises to give - unconditional promises to give are valued using a discounted cash flow methodology. During the years ended August 31, 2024 and 2023, there were additions to unconditional promises to give in the amount of approximately \$59,750 and \$100,000, respectively.

Derivative instrument – these liabilities were valued based on fair value calculated by the holding bank using prevailing market data and proprietary models based on well recognized principles and reasonable estimates about future market conditions.

The following tables set forth by level within the fair value hierarchy, the Organization’s assets (liabilities) which have been accounted for at fair value on a recurring basis as of August 31, 2024 and 2023:

	August 31, 2024			
	Total	Level 1	Level 2	Level 3
Investments				
Common stocks	\$ 2,357,433	\$ 2,357,433	\$ -	\$ -
Equities	128,485	128,485	-	-
Equities - Barnabas foundation	2,211,715	-	2,211,715	-
Exchange traded products	2,917,274	2,917,274	-	-
Mutual funds	1,260,340	1,260,340	-	-
Preferred stocks	293,053	293,053	-	-
U.S. Treasury securities	844,558	844,558	-	-
Unconditional promises to give	103,750	-	-	103,750
Interest rate swap	(104,446)	-	-	(104,446)
	<u>\$ 10,012,162</u>	<u>\$ 7,801,143</u>	<u>\$ 2,211,715</u>	<u>\$ (696)</u>

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	August 31, 2023 (Restated)			
	Total	Level 1	Level 2	Level 3
Investments				
Common stocks	\$ 2,105,367	\$ 2,105,367	\$ -	\$ -
Equities	111,125	111,125	-	-
Equities - Barnabas foundation	1,338,480	-	1,338,480	-
Exchange traded products	2,438,483	2,438,483	-	-
Mutual funds	1,110,926	1,110,926	-	-
Preferred stocks	246,392	246,392	-	-
U.S. Treasury securities	962,927	962,927	-	-
Unconditional promises to give	100,000	-	-	100,000
	<u>\$ 8,413,700</u>	<u>\$ 6,975,220</u>	<u>\$ 1,338,480</u>	<u>\$ 100,000</u>

The following is a summary of activity for both the years ended August 31 for the unconditional promises to give:

Balance as of August 31, 2022	\$ -
New unconditional promises to give	<u>100,000</u>
Balance as of August 31, 2023	100,000
New unconditional promises to give	59,750
Cash collections	(50,000)
Change in allowance for uncollectible accounts	<u>(6,000)</u>
Balance as of August 31, 2024	<u>\$ 103,750</u>

The following is a summary of activity for the year ended August 31, 2024 for the interest rate swap:

Balance as of August 31, 2023	\$ -
Unrealized loss	<u>(104,446)</u>
Balance as of August 31, 2024	<u>\$ (104,446)</u>

There was no interest rate swap as of August 31, 2023.

ECSA holds investments which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the fair value of investments reported in the combined statements of financial position.

Fair Value Option

The accounting standard relating to financial instruments allows entities to choose to measure eligible financial instruments and certain other items at fair value. The fair value option established by this statement permits all entities to choose to measure eligible items at fair value on a specified election date or according to a pre-existing policy for specified types of eligible items and report unrealized gains and losses on items for which the fair value option has been elected in earnings (loss) at each subsequent reporting date. The School has elected the fair value option for unconditional promises to give because the School believes that the election more clearly presents the value of the receivable in accordance with accounting principles generally accepted in the United States of America.

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6. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land	\$ 182,000	\$ 182,000
Buildings and improvements	16,703,009	12,749,488
Vehicles and buses	734,735	682,205
Furniture and fixtures	1,270,311	1,064,222
Fixed assets - Eagle Solar, LLC	2,969,010	2,969,010
Fixed assets - Ditto of North Jersey, LLC	643,825	643,825
Construction in progress	<u>1,903,786</u>	<u>3,535,199</u>
	24,406,676	21,825,949
Less: Accumulated depreciation	<u>13,640,255</u>	<u>12,966,907</u>
Property and equipment, net	<u>\$ 10,766,421</u>	<u>\$ 8,859,042</u>

Total depreciation expense amounted to \$673,348 and \$449,872 for the years ended August 31, 2024 and 2023, respectively.

7. OTHER ASSETS

Other assets consist of the following as of August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Other current assets		
Prepaid expenses	\$ 57,721	\$ 48,760
TRIP cards on hand	5,173	12,900
Eagle Solar SREC on account	7,549	5,974
Ditto inventory	2,093	2,093
Other receivables	<u>166,293</u>	<u>9,603</u>
Total other current assets	<u>\$ 238,829</u>	<u>\$ 79,330</u>
Other non-current assets		
Gross deferred tax asset	<u>\$ 350,000</u>	<u>\$ 365,000</u>

8. BANK LINE OF CREDIT

ECSA had a line of credit with Columbia Bank ("Columbia") which was set to expire on May 1, 2024 (see Note 21). The line of credit had a limit of \$500,000 and was collateralized by the property at 25 Baldwin Drive, Midland Park, New Jersey. The line bore interest at the Prime rate plus 1%, but not to exceed 5.50%. As of August 31, 2023, there was no outstanding balance on this line of credit.

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Effective June 12, 2024, ECSA entered into a revolving line of credit agreement with Columbia which was set to expire on June 1, 2025 (see Note 21), whereby the aggregate amount of outstanding borrowings shall be repaid in full. The line of credit has a limit of \$1,500,000 and is collateralized by the property at 25 Baldwin Avenue, Midland Park, New Jersey, an assignment of leases and rents to the lender on this property in Bergen County, State of New Jersey and assets of the Organization. The line bears interest at the Prime Rate as published in The Wall Street Journal plus 1%, but not to be less than 8.50% (8.50% at August 31, 2024). ECSA had a balance of \$745,923 outstanding on the line of credit as of August 31, 2024. During the year ended September 01, 2023, ECSA incurred approximately \$10,000 of interest on this line of credit. ECSA is required to meet certain financial and nonfinancial covenants. A waiver was received.

9. NOTES PAYABLE

Notes payable consist of the following as of August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Note payable to Columbia, interest at a fixed rate of 3.80%, with monthly installments of principal and interest of \$22,744 through December 1, 2031, collateralized by the property at 50 Oakwood Avenue, North Haledon.	\$ 4,082,773	\$ 4,195,602
Private notes to various personal investors including related party members of ECSA management and the board of directors, with interest only payments at 4.00%, various maturities through September 2029. See Note 19.	600,000	600,000
Note payable to Columbia, interest is variable based on the one Month Term Secured Overnight Financing Rate ("SOFR") as published by the CME Group Benchmarks Administration Limited. An interest rate swap was initiated. ECSA is required to make six monthly interest payments beginning on April 1, 2024, with interest calculated on the unpaid principal balances, plus a margin of 2.35 percentage points (7.55% at August 31, 2024). Principal plus interest payments, which vary through maturity, including a margin of 2.35 percentage points, begin on October 1, 2024 through September 1, 2034. The note is collateralized by the property at 518 Sicomac Avenue, Wyckoff. ECSA is required to meet certain financial and nonfinancial covenants. A waiver was received.	2,000,000	-
Note payable to General Motors Financial, interest at a fixed rate of 3.90%. Principal plus interest payments, which vary through maturity begin on February 1, 2024 through January 26, 2028,	40,215	-
	<u>6,722,988</u>	<u>4,795,602</u>
Less: Unamortized debt issuance costs	43,505	17,000
	<u>6,679,483</u>	<u>4,778,602</u>
Less: Current portion	273,773	113,926
	<u>\$ 6,405,710</u>	<u>\$ 4,664,676</u>

Eastern Christian School Association and Affiliates
Notes to Combined Financial Statements
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Amortization on the debt issuance costs amounted to \$2,061 for the years ended August 31, 2024 and 2023 and is included within interest expense on the combined statements of functional expenses.

Future maturities of this debt are as follows:

2025	\$	273,773
2026		289,012
2027		305,169
2028		314,611
2029		327,346
Thereafter		<u>5,213,077</u>
	\$	<u>6,722,988</u>

10. DERIVATIVES

On February 22, 2024 the Organization entered into a 10-year interest rate swap contract with a bank. The effective date of the contract is February 22, 2024. The contract entitles the Organization, subject to the bank's approval, to synthetically convert the floating rate to an indicative fixed rate of 6.81% for 10 years.

The fair value of the interest rate swap contract was \$104,446 at August 31, 2024, and is shown in the combined statement of financial position as a liability. The change in the value of the interest rate swap contract was a loss of \$104,446 for the year ended August 31, 2024 and is shown in the combined statement of activities.

11. ENDOWMENTS AND BOARD DESIGNATED NET ASSETS

The Organization's endowment at August 31, 2024 and 2023 includes both donor-restricted funds and funds designated by the Board to function as endowments to support ECSA. As required by GAAP, net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions. Since there are no donor restrictions on the quasi-endowment fund, all contributions into the fund and all income earned on the fund are considered to be net assets without donor restrictions.

Interpretation of Relevant Law

The Board of the Organization has interpreted state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds and additional contributions to those funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, should the Organization receive endowment funds with donor restrictions, the Organization will retain in perpetuity (a) the original value of gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to expenditure by the School in a manner consistent with the standard of prudence prescribed by state law or the donor's intent. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Eastern Christian School Association and Affiliates
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As a result of the ability to distribute corpus, the Board of Directors has determined that all contributions not classified as with donor restrictions are classified as net assets without donor restrictions for financial statement purposes. Contributions that are subject to other gift instruments may be recorded as with donor restrictions, or without donor restrictions, depending on the specific terms of the agreement.

Endowment Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Organization’s spending and investment policies work together to achieve this objective. The investment policy established an achievable return objective through diversification of asset classes. The current long-term return objective is to return 9%, net of investment fees. During May 2023, ECSA amended their investment policy statement to modify the return objective with the intent to obtain a modest capital appreciation from their investments and a goal to outpace inflation by a moderate amount. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the School’s endowment funds for the administration of its programs. The current spending policy is to distribute the greater of \$450,000 or 5% of the average ending account balance for the prior 16 quarters, until such time as an account history of 20 rolling quarters is established, at which time the distribution shall be equal to the greater of \$450,000 or 5% of the average ending account balance for the prior 20 quarters. In establishing the dollar distribution for the next fiscal year, the account balance at November 30 of each year shall be included as one of the 20 quarters included in this calculation. Management believes this is consistent with the objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through gifts and investment return.

Board-designated endowment and endowment fund composition by type of fund as of August 31, 2024 and 2023 are as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated funds			
Quasi-endowment	\$ 7,714,736	\$ -	\$ 7,714,736
Donor-restricted endowment funds			
Scholarship Endowment			
Original donor-restricted gift amounts and gift amounts required by donor to be maintained in perpetuity	-	2,250,493	2,250,493
Accumulated investment earnings	-	545,648	545,648
Loan to ECSA for operations	-	(620,516)	(620,516)
	<u>\$ 7,714,736</u>	<u>\$ 2,175,625</u>	<u>\$ 9,890,361</u>

Eastern Christian School Association and Affiliates
Notes to Combined Financial Statements
August 31, 2024 and 2023

	2023		
	Board Designated		Total
	Without Donor Restrictions	With Donor Restrictions	
Board-designated funds			
Quasi-endowment	\$ 6,898,905	\$ -	\$ 6,898,905
Donor-restricted endowment funds			
Scholarship Endowment			
Original donor-restricted gift amounts and gift amounts required by donor to be maintained in perpetuity	-	2,095,001	2,095,001
Accumulated investment earnings	-	271,050	271,050
Loan to ECSA for operations	-	(636,074)	(636,074)
	<u>\$ 6,898,905</u>	<u>\$ 1,729,977</u>	<u>\$ 8,628,882</u>

The Organization's endowment fund is comprised of board designated quasi-endowment funds and donor-restricted endowment funds. Endowment net asset composition and changes in endowment net assets by type of fund, excluding unconditional promises to give, as of and for the years ended August 31, 2024 and 2023 are as follows:

	2024		
	Quasi Endowment		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, August 31, 2023	\$ 6,898,905	\$ 1,729,977	\$ 8,628,882
Contributions	54,505	155,492	209,997
Investment return			
Investment income	159,132	25,358	184,490
Net gain on investments	1,004,245	325,139	1,329,384
Amounts appropriated for expenditure			
Operations	(450,000)	(75,900)	(525,900)
Repayments to undesignated net assets			
ECSA	4,759	15,559	20,318
Eagle Solar	27,233	-	27,233
Ditto	15,957	-	15,957
Endowment net assets, August 31, 2024	<u>\$ 7,714,736</u>	<u>\$ 2,175,625</u>	<u>\$ 9,890,361</u>

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	2023		
	Quasi Endowment		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, August 31, 2022	\$ 6,746,123	\$ 1,087,976	\$ 7,834,099
Contributions	48,074	532,955	581,029
Investment return			
Investment income	135,419	29,823	165,242
Net loss on investments	373,003	105,250	478,253
Transfer out of the endowment fund	-	-	-
Amounts appropriated for expenditure			
Operations	(450,000)	(41,050)	(491,050)
Repayments (loans) to undesignated net assets			
ECSA	4,711	15,023	19,734
Eagle Solar	26,166	-	26,166
Ditto	15,409	-	15,409
Endowment net assets, August 31, 2023	<u>\$ 6,898,905</u>	<u>\$ 1,729,977</u>	<u>\$ 8,628,882</u>

The Organization appropriated additional funds from both the board designated quasi-endowment funds and donor-restricted endowment funds. It is anticipated that these amounts advanced to ECSA, Eagle Solar and Ditto will be returned to the endowment, with interest at 4% per annum. Total appropriations outstanding and to be returned to the board designated endowment as of August 31, 2024 and 2023, are \$264,255 and \$312,204, respectively. Total appropriations outstanding and to be returned to the donor-restricted endowment as of August 31, 2024 and 2023, are \$620,516 and \$936,574, respectively. Appropriations from the donor restricted fund were used to purchase fixed assets, which are being used for housing for students and faculty. The net book value of the assets purchased amount to \$431,739 and \$448,719 as of August 31, 2024 and 2023, respectively.

The School has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. At August 31, 2024 and 2023, there were no funds with deficiencies. Deficiencies can result from unfavorable market fluctuations or from an extended market decline while continued appropriations are deemed prudent by the Board. In accordance with the terms of donor gift instruments, the School is permitted to reduce the balance of restricted endowments below the original amount of the gift. Subsequent investment gains are then used to restore the balance up to the fair market value of the original amount of the gift. Both fund deficiencies and subsequent gains above that amount are recorded in net assets with donor restrictions.

Eastern Christian School Association and Affiliates
Notes to Combined Financial Statements
August 31, 2024 and 2023

12. NET ASSETS WITH DONOR RESTRICTIONS

Components of net assets with donor restrictions consist of the following at August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for a specific purpose and time		
Capital projects	\$ 126,742	\$ 47,606
School library	150	-
Angel Fund	-	85,000
Homestay	-	6,000
Fund-a-Need	-	600
Scholarships	<u>219,320</u>	<u>199,153</u>
	346,212	338,359
Endowments		
Subject to endowment spending policy and appropriation		
Scholarships and financial aid	<u>2,175,625</u>	<u>1,729,977</u>
Total net assets with donor restrictions	<u>\$ 2,521,837</u>	<u>\$ 2,068,336</u>

Net assets were released from donor restrictions that satisfied the restricted purposes for the years ended August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions		
Capital projects and equipment	\$ 507,491	\$ 1,964,455
Supplies	4,500	-
Angel Fund	85,000	-
Homestay	6,000	-
Fund-a-Need	600	-
Scholarships and financial aid	<u>247,758</u>	<u>492,335</u>
	<u>\$ 851,349</u>	<u>\$ 2,456,790</u>

13. BOARD DESIGNATED NET ASSETS

Certain net assets without donor restrictions have been designated by the Board at August 31, 2024 and 2023 for the following purposes:

	<u>2024</u>	<u>2023</u>
Quasi-endowment fund (a)	<u>\$ 7,714,736</u>	<u>\$ 6,898,905</u>

(a) The Board has set aside, in an investment account, funds that they plan to use to support the mission of the Organization.

Eastern Christian School Association and Affiliates
Notes to Combined Financial Statements
August 31, 2024 and 2023

14. PENSION PLAN AND 403(B) RETIREMENT SAVINGS PLAN

The Organization previously participated in the Christian Schools Pension Plan and Trust Fund, which is sponsored by Christian Schools International (“CSI”). All employees that worked 1,000 hours or more per year were eligible and must participate in the plan. The School contributes 6% of an eligible employee’s gross salary.

The plan provides for a retirement benefit, a death benefit and disability income. A refund of contributions is available to those who leave the Pension Trust Program. The Organization made contributions to the plan totaling \$360,856 for both of the years ended August 31, 2024 and 2023. Effective September 1, 2019, the School is no longer enrolling its employees into the pension plan.

On July 1, 2019, the Organization began to participate in a 403(b) retirement savings plan. The plan is through CSI, who operates as the plan sponsor. The plan allows employees to contribute part of their compensation into the plan during each pay period. The employer may also make a discretionary matching contribution into the plan. The Organization made contributions to the plan totaling \$130,928 and \$124,533 for the years ended August 31, 2024 and 2023, respectively.

15. INCOME TAXES

The provision for income taxes, which is included in combined statements of activities under the caption of other income/other expenses, consists of the following for the years ended August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Deferred	\$ 15,000	\$ (16,000)

Deferred income tax assets consist of the following at August 31:

	<u>2024</u>	<u>2023</u>
Deferred income tax assets	\$ 350,000	365,000
Valuation allowance	-	-
Net deferred income tax asset	<u>\$ 350,000</u>	<u>\$ 365,000</u>

The actual tax expense for the years ended August 31, 2024 and 2023, differs from the expected tax expense (computed by applying the federal and state corporation tax rates to earnings before taxes) due to state taxes, domestic production activities and certain nondeductible expenses.

Deferred income tax assets consist of book and tax temporary differences related primarily to net operating loss carryforwards.

16. LEASES

Ditto entered into a lease agreement for the use of the facility in North Haledon, New Jersey under an operating lease, which expires on May 31, 2025 (see Note 19). The School leases certain office equipment under operating leases, which expires at various points in time through May 2028.

Eastern Christian School Association and Affiliates
Notes to Combined Financial Statements
August 31, 2024 and 2023

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liability as of the year ended August 31:

2025	\$ 91,992
2026	19,353
2027	19,353
2028	<u>10,092</u>
Future minimum lease payments	140,790
Less: Imputed interest - operating leases	<u>4,829</u>
Present value of minimum lease payments	135,961
Less: Current portion	<u>89,178</u>
Lease liabilities - operating at August 31, 2024	<u>\$ 46,783</u>

Total lease expense, included in association expenses and occupancy expenses on the combined statement of functional expenses, approximated \$135,200 for the year ended August 31, 2024, which includes \$129,289 of straight-line operating lease expense and approximately \$5,900 of lease expense related to other variable costs and short-term leases. Total lease expense, included in association expenses and occupancy expenses on the combined statement of functional expenses, approximated \$154,900 for the year ended August 31, 2023, which includes \$123,467 of straight-line operating lease expense and approximately \$31,500 of lease expense related to other variable costs and short-term leases.

The following is an analysis of the Organization's outstanding leases at August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	<u>\$ 129,436</u>	<u>\$ 123,232</u>
Weighted-average remaining lease term - operating leases	3.24 years	2.02 years
Weighted-average discount rate - operating leases	6.05%	3.52%

17. RENTAL INCOME

During the year ended August 31, 2024, ECSA entered into a lease agreement to lease field facilities to a third-party. The term of this lease was set to commence upon the completion of the field's renovations, which was September 1, 2024. The term of the lease is ten years. Future minimum rental income under non-cancelable leases for the next five years and thereafter are as follows:

2025	\$ 153,000
2026	153,000
2027	153,000
2028	153,000
2029	153,000
Thereafter	<u>850,000</u>
	<u>\$ 1,615,000</u>

Eastern Christian School Association and Affiliates
Notes to Combined Financial Statements
August 31, 2024 and 2023

18. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

The combined statements of cash flows contain cash paid during the years ended August 31, 2024 and 2023 related to:

	<u>2024</u>	<u>2023</u>
Interest	\$ <u>278,935</u>	\$ <u>237,115</u>
Taxes	\$ <u>760</u>	\$ <u>750</u>

Non-cash investing and financing transactions during the years ended August 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Right-of-use assets acquired in exchange for new operating leases	\$ <u>7,808</u>	\$ <u>80,109</u>
Debt issuance costs paid through settlement charges of note payable	\$ <u>28,566</u>	\$ <u>-</u>
Property and equipment acquired through note payable	\$ <u>46,477</u>	\$ <u>-</u>
Payoff of bank lines of credit through refinancing of a new note payable	\$ <u>-</u>	\$ <u>2,804,984</u>
Payoff of notes payable through refinancing of a new note payable	\$ <u>-</u>	\$ <u>993,741</u>

19. RELATED PARTY TRANSACTIONS

Periodically, the Organization enters into notes payable agreements with personal investors which include related party members of ECSA management and the board of directors. See Note 9 for further information.

During the year ended August 31, 2023, the School changed investment management and advisory for the endowment for which two board members are partners in the firm.

20. RESTATEMENT

The Organization restated its combined financial statements as of and for the year ended August 31, 2023 to correct material errors in accordance with GAAP. These errors included the recognition of unconditional promises to give based upon the timing of the signed agreement, as well as net assets with donor restrictions incorrectly being classified within net assets without donor restrictions. In addition, there was a reclassification of investments for fair value measurements within the fair value level hierarchy from Level 1 to Level 2. Lastly, there was a change within operating and financing activities within the combined statement of cash flows for the breakout of proceeds from contributions restricted for endowment and capital projects. As a result, the 2023 combined financial statements were restated to correct these errors. The tables below present the effect of the combined financial statement adjustments related to this restatement.

Eastern Christian School Association and Affiliates
Notes to Combined Financial Statements
August 31, 2024 and 2023

Combined Statement of Financial Position

	<u>As Previously Stated</u>	<u>Adjustment</u>	<u>As Restated</u>
Unconditional promises to give, net	\$ -	\$ 40,000	\$ 40,000
Total current assets	\$ 8,714,837	\$ 40,000	\$ 8,754,837
Unconditional promises to give, net of current portion	\$ -	\$ 60,000	\$ 60,000
Total assets	\$ 19,651,419	\$ 100,000	\$ 19,751,419
Net assets without donor restrictions - undesignated	\$ 1,572,867	\$ (127,100)	\$ 1,445,767
Net assets with donor restrictions - purpose restricted funds	\$ 111,259	\$ 227,100	\$ 338,359

Combined Statement of Activities

	<u>As Previously Stated</u>	<u>Adjustment</u>	<u>As Restated</u>
Contributions - with donor restrictions	\$ 1,235,659	\$ 100,000	\$ 1,335,659
Total revenues - with donor restrictions	\$ (1,108,593)	\$ 100,000	\$ (1,008,593)
Total revenues	\$ 15,434,126	\$ 100,000	\$ 15,534,126

Combined Statement of Activities

Changes in net assets from operations - with donor restrictions	\$ (1,108,593)	\$ 100,000	\$ (1,008,593)
Changes in net assets from operations - total	\$ 563,293	\$ 100,000	\$ 663,293
Changes in net assets - with donor restrictions	\$ (965,554)	\$ 100,000	\$ (865,554)
Changes in net assets - total	\$ 1,223,881	\$ 100,000	\$ 1,323,881
Net assets - beginning of year - without donor restrictions	\$ 6,282,337	\$ (127,100)	\$ 6,155,237
Net assets - end of year - with donor restrictions	\$ 2,806,790	\$ 127,100	\$ 2,933,890
Net assets - end of year - without donor restrictions	\$ 1,841,236	\$ 227,100	\$ 2,068,336
Net assets - end of year - total	\$ 10,313,008	\$ 100,000	\$ 10,413,008

Eastern Christian School Association and Affiliates
Notes to Combined Financial Statements
August 31, 2024 and 2023

Combined Statement of Cash Flows

	<u>As Previously Stated</u>	<u>Adjustment</u>	<u>As Restated</u>
Changes in net assets	\$ 1,223,881	\$ 100,000	\$ 1,323,881
Unconditional promises to give	\$ 187,500	\$ (100,000)	\$ 87,500
Operating activities - proceeds from contributions restricted for endowment	\$ -	\$ (532,955)	\$ (532,955)
Operating activities - proceeds from contributions restricted for construction	\$ -	\$ (206,400)	\$ (206,400)
Net cash provided by operating activities	\$ 2,220,517	\$ (739,355)	\$ 1,481,162
Financing activities - proceeds from contributions restricted for endowment	\$ -	\$ 532,955	\$ 532,955
Financing activities - proceeds from contributions restricted for construction	\$ -	\$ 206,400	\$ 206,400
Net cash provided by (used in) financing activities	\$ (278,999)	\$ 739,355	\$ 460,356

21. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the combined statement of financial position date through the date of December 29, 2025, which is the date the combined financial statements were available to be issued. Based on this evaluation, the Organization has determined that the following subsequent events have occurred that require disclosure to the combined financial statements.

During January 2025, Ditto entered into a lease agreement to extend their term, beginning on June 1, 2025 through May 31, 2030, with monthly payments of \$8,071 (see Note 16).

During March 2025, the Organization entered into a contract with KV Builders, LLC for construction on the Wyckoff expansion for a contracted price of approximately \$4,660,000. The work is expected to be completed by July 31, 2026.

During August 2025, ECSA entered into a commitment letter for a \$5,000,000 loan with Columbia. This loan is strictly for the purpose of facilitating the construction of six new classrooms at the ECSA middle school location. The proceeds will also be used to replace an existing portion of the roof on the school. During the construction phase of the loan, the per annum interest rate is to be adjusted daily in accordance with the WSJ Prime index, rounded to the nearest 1/8% should there be any changes. No later than the 15th day of the month prior to the commencement of the permanent loan phase, the interest rate for the permanent loan shall be calculated at a rate of the 5-Year Treasury index plus 2.10%. The rate will then adjust to 2.10% over the then prevailing Weekly Average Yield of the US Treasury Securities Adjusted to a constant maturity of five years and rounded up to the nearest 0.125% for the remaining 5 years. Upon any changes to the 5-Year Treasury index, the rate will adjust immediately and shall be rounded to the nearest 1/8%. At no time shall the rate fall below 6.00%. The term of the construction phase is 12 months with one 6 month option to be exercised at Columbia's sole discretion. The term of the permanent loan shall be 120 months based on a 300 month amortization. The loan will require interest only payments throughout the construction phase on any outstanding principal balance, which shall be payable on the first day of each month. Upon conversion to the permanent loan phase, the payment shall be adjusted on the first of the month following the interest rate change.

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Effective October 5, 2025, the Organization entered into an amendment to its existing line of credit agreement with Columbia, extending the maturity date through June 1, 2026. In addition, the following changes in the terms of the agreement were made:

- The interest rate will adjust daily in accordance with the prime rate as published in the Wall Street Journal with an interest rate floor of 6%.
- Beginning November 1, 2025, the Organization will be required to pay monthly payments of all accrued unpaid interest due as of each payment date.

SUPPLEMENTARY INFORMATION

Eastern Christian School Association and Affiliates
Combining Schedule of Financial Position
August 31, 2024

	Eastern Christian School Association	Eagle Solar, LLC	Ditto of North Jersey, LLC	The Foundation for Eastern Christian School Association	Total	Eliminating Entries	Combined Total
Assets							
Current assets							
Cash and cash equivalents (including board designated cash of \$33,680)	\$ 1,101,238	\$ 27,806	\$ 87,286	\$ 85,569	\$ 1,301,899	\$ -	\$ 1,301,899
Tuition receivable, net	196,183	-	-	-	196,183	-	196,183
Notes receivable	20,000	-	-	-	20,000	-	20,000
Unconditional promises to give, net	-	-	-	75,000	75,000	-	75,000
Grants receivable	186,781	-	-	-	186,781	-	186,781
Investments (including board designated investments of \$7,672,658)	7,801,143	-	-	-	7,801,143	-	7,801,143
Due from affiliate - note receivable, current portion	39,055	-	-	-	39,055	(39,055)	-
Due from affiliate	276,580	-	-	-	276,580	(276,580)	-
Other current assets	227,615	7,549	2,092	5,173	242,429	(3,600)	238,829
Total current assets	<u>9,848,595</u>	<u>35,355</u>	<u>89,378</u>	<u>165,742</u>	<u>10,139,070</u>	<u>(319,235)</u>	<u>9,819,835</u>
Property and equipment, net	10,743,846	-	22,575	-	10,766,421	-	10,766,421
Right-of-use assets, net	64,171	-	71,790	-	135,961	-	135,961
Restricted cash	35,870	-	-	-	35,870	-	35,870
Notes receivable, net of current portion, net	19,612	-	-	-	19,612	-	19,612
Unconditional promises to give, net of current portion	-	-	-	28,750	28,750	-	28,750
Investments - permanent endowment	2,211,715	-	-	-	2,211,715	-	2,211,715
Investment in Eagle Solar, LLC	(1,027,863)	-	-	-	(1,027,863)	1,027,863	-
Due from affiliate - note receivable, net of current portion	1,302,556	-	-	-	1,302,556	(1,302,556)	-
Other non-current assets	-	350,000	-	-	350,000	-	350,000
	2,541,890	350,000	-	28,750	2,920,640	(274,693)	2,645,947
	<u>\$ 23,198,502</u>	<u>\$ 385,355</u>	<u>\$ 183,743</u>	<u>\$ 194,492</u>	<u>\$ 23,962,092</u>	<u>\$ (593,928)</u>	<u>\$ 23,368,164</u>
Liabilities and Net Assets							
Current liabilities							
Line of credit	\$ 745,923	\$ -	\$ -	\$ -	\$ 745,923	\$ -	\$ 745,923
Accounts payable	611,330	9,844	-	-	621,174	(3,600)	617,574
Accrued expenses	756,255	-	-	-	756,255	-	756,255
Due to affiliate - note payable, current portion	-	39,055	-	-	39,055	(39,055)	-
Due to affiliate	-	61,763	214,817	-	276,580	(276,580)	-
Notes payable, current portion	273,773	-	-	-	273,773	-	273,773
Deferred income	2,770,189	-	-	120,381	2,890,570	-	2,890,570
Operating lease liabilities, current portion	17,388	-	71,790	-	89,178	-	89,178
Total current liabilities	<u>5,174,858</u>	<u>110,662</u>	<u>286,607</u>	<u>120,381</u>	<u>5,692,508</u>	<u>(319,235)</u>	<u>5,373,273</u>
Long-term liabilities							
Due to affiliate - note payable, net of current portion	-	1,302,556	-	-	1,302,556	(1,302,556)	-
Notes payable, net of current portion and debt discount	6,405,710	-	-	-	6,405,710	-	6,405,710
Operating lease liabilities, net of current portion	46,783	-	-	-	46,783	-	46,783
Interest rate swap	104,446	-	-	-	104,446	-	104,446
Rental security deposit	25,500	-	-	-	25,500	-	25,500
Total long-term liabilities	<u>6,582,439</u>	<u>1,302,556</u>	<u>-</u>	<u>-</u>	<u>7,884,995</u>	<u>(1,302,556)</u>	<u>6,582,439</u>
Net assets							
Without donor restrictions							
Undesignated	1,204,632	(1,027,863)	(102,864)	74,111	148,016	1,027,863	1,175,879
Designated by the Board	7,714,736	-	-	-	7,714,736	-	7,714,736
Total net assets without donor restrictions	<u>8,919,368</u>	<u>(1,027,863)</u>	<u>(102,864)</u>	<u>74,111</u>	<u>7,862,752</u>	<u>1,027,863</u>	<u>8,890,615</u>
With donor restrictions							
Endowment	2,175,625	-	-	-	2,175,625	-	2,175,625
Purpose restricted funds	346,212	-	-	-	346,212	-	346,212
Total net assets without donor restrictions	<u>2,521,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,521,837</u>	<u>-</u>	<u>2,521,837</u>
Total net assets	<u>11,441,205</u>	<u>(1,027,863)</u>	<u>(102,864)</u>	<u>74,111</u>	<u>10,384,589</u>	<u>1,027,863</u>	<u>11,412,452</u>
Total liabilities and net assets	<u>\$ 23,198,502</u>	<u>\$ 385,355</u>	<u>\$ 183,743</u>	<u>\$ 194,492</u>	<u>\$ 23,962,092</u>	<u>\$ (593,928)</u>	<u>\$ 23,368,164</u>

See Independent Auditor's Report.

Eastern Christian School Association and Affiliates
Combining Schedule of Financial Position
August 31, 2023 (Restated)

	Eastern Christian School Association	Eagle Solar, LLC	Ditto of North Jersey, LLC	The Foundation for Eastern Christian School Association	Total	Eliminating Entries	Combined Total
Assets							
Current assets							
Cash and cash equivalents (including board designated cash of \$24,425)	\$ 1,230,329	\$ 36,394	\$ 103,146	\$ 69,081	\$ 1,438,950	\$ -	\$ 1,438,950
Tuition receivables, net	123,662	-	-	-	123,662	-	123,662
Notes receivable	11,098	-	-	-	11,098	-	11,098
Unconditional promises to give	-	-	-	40,000	40,000	-	40,000
Grant receivable	86,577	-	-	-	86,577	-	86,577
Investments (including board designated investments of \$6,864,095)	6,975,220	-	-	-	6,975,220	-	6,975,220
Due from affiliate - note receivable, current portion	37,720	-	-	-	37,720	(37,720)	-
Due from affiliate	317,343	-	-	-	317,343	(317,343)	-
Other current assets	58,364	5,973	2,093	12,900	79,330	-	79,330
Total current assets	<u>8,840,313</u>	<u>42,367</u>	<u>105,239</u>	<u>121,981</u>	<u>9,109,900</u>	<u>(355,063)</u>	<u>8,754,837</u>
Property and equipment, net	<u>8,787,111</u>	<u>-</u>	<u>71,931</u>	<u>-</u>	<u>8,859,042</u>	<u>-</u>	<u>8,859,042</u>
Right-of-use assets, net	<u>85,945</u>	<u>-</u>	<u>164,597</u>	<u>-</u>	<u>250,542</u>	<u>-</u>	<u>250,542</u>
Restricted cash	91,560	-	-	-	91,560	-	91,560
Notes receivable, net of current portion, net	31,958	-	-	-	31,958	-	31,958
Unconditional promises to give	-	-	-	60,000	60,000	-	60,000
Investments - permanent endowments	1,338,480	-	-	-	1,338,480	-	1,338,480
Investment in Eagle Solar LLC	(1,063,334)	-	-	-	(1,063,334)	1,063,334	-
Due from affiliate - note receivable, net of current portion	1,338,413	-	-	-	1,338,413	(1,338,413)	-
Other non-current assets	-	365,000	-	-	365,000	-	365,000
	<u>1,737,077</u>	<u>365,000</u>	<u>-</u>	<u>60,000</u>	<u>2,162,077</u>	<u>(275,079)</u>	<u>1,886,998</u>
	<u>\$ 19,450,446</u>	<u>\$ 407,367</u>	<u>\$ 341,767</u>	<u>\$ 181,981</u>	<u>\$ 20,381,561</u>	<u>\$ (630,142)</u>	<u>\$ 19,751,419</u>
Liabilities and Net Assets							
Current liabilities							
Accounts payable	\$ 603,906	\$ 6,994	\$ 10,215	\$ -	\$ 621,115	\$ -	\$ 621,115
Accrued expenses	724,062	-	-	-	724,062	-	724,062
Due to affiliate - note payable, current portion	-	37,720	-	-	37,720	(37,720)	-
Due to affiliate	-	87,574	229,769	-	317,343	(317,343)	-
Notes payable, current portion	113,926	-	-	-	113,926	-	113,926
Deferred income	2,852,704	-	-	111,240	2,963,944	-	2,963,944
Operating lease liabilities, current portion	28,484	-	92,807	-	121,291	-	121,291
Total current liabilities	<u>4,323,082</u>	<u>132,288</u>	<u>332,791</u>	<u>111,240</u>	<u>4,899,401</u>	<u>(355,063)</u>	<u>4,544,338</u>
Long-term liabilities							
Due to affiliate - note payable, net of current portion	-	1,338,413	-	-	1,338,413	(1,338,413)	-
Notes payable, net of current portion and debt discount	4,664,676	-	-	-	4,664,676	-	4,664,676
Operating lease liabilities, net of current portion	57,607	-	71,790	-	129,397	-	129,397
Total long-term liabilities	<u>4,722,283</u>	<u>1,338,413</u>	<u>71,790</u>	<u>-</u>	<u>6,132,486</u>	<u>(1,338,413)</u>	<u>4,794,073</u>
Net assets							
Without donor restrictions							
Undesignated	1,537,840	(1,063,334)	(62,814)	(29,259)	382,433	1,063,334	1,445,767
Designated by the Board	6,898,905	-	-	-	6,898,905	-	6,898,905
Total net assets without donor restrictions	<u>8,436,745</u>	<u>(1,063,334)</u>	<u>(62,814)</u>	<u>(29,259)</u>	<u>7,281,338</u>	<u>1,063,334</u>	<u>8,344,672</u>
With donor restrictions							
Endowment	1,729,977	-	-	-	1,729,977	-	1,729,977
Purpose restricted funds	238,359	-	-	100,000	338,359	-	338,359
Total net assets without donor restrictions	<u>1,968,336</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>2,068,336</u>	<u>-</u>	<u>2,068,336</u>
Total net assets	<u>10,405,081</u>	<u>(1,063,334)</u>	<u>(62,814)</u>	<u>70,741</u>	<u>9,349,674</u>	<u>1,063,334</u>	<u>10,413,008</u>
Total liabilities and net assets	<u>\$ 19,450,446</u>	<u>\$ 407,367</u>	<u>\$ 341,767</u>	<u>\$ 181,981</u>	<u>\$ 20,381,561</u>	<u>\$ (630,142)</u>	<u>\$ 19,751,419</u>

See Independent Auditor's Report.

Eastern Christian School Association and Affiliates
Combining Schedule of Activities
Year Ended August 31, 2024

	Eastern Christian School Association	Eagle Solar, LLC	Ditto of North Jersey, LLC	The Foundation for Eastern Christian School Association	Total	Eliminating Entries	Combined Total
Operating revenues							
Tuition and fees	\$ 11,556,664	\$ -	\$ -	\$ -	\$ 11,556,664	\$ -	\$ 11,556,664
Grant revenue	253,653	-	-	-	253,653	-	253,653
Rental revenue	246,395	-	-	-	246,395	(3,600)	242,795
Eagle Solar revenue	-	130,965	-	-	130,965	(56,400)	74,565
Eagle Camp revenue	431,319	-	-	-	431,319	-	431,319
Ditto thrift store revenue	-	-	896,458	-	896,458	-	896,458
Food service	193,527	-	-	-	193,527	-	193,527
Other revenue	613,337	-	-	32,102	645,439	-	645,439
Contributions	-	-	407	1,859,932	1,860,339	-	1,860,339
Contributions of nonfinancial assets	-	-	24,786	-	24,786	-	24,786
	<u>13,294,895</u>	<u>130,965</u>	<u>921,651</u>	<u>1,892,034</u>	<u>16,239,545</u>	<u>(60,000)</u>	<u>16,179,545</u>
Operating expenses							
Compensation and related expenses	10,819,124	-	314,233	334,604	11,467,961	-	11,467,961
Association expenses	939,140	-	-	-	939,140	-	939,140
Repairs and maintenance	1,135,041	-	-	-	1,135,041	(56,400)	1,078,641
Transportation expenses	33,567	-	-	-	33,567	-	33,567
Educational supplies	1,003,084	-	-	-	1,003,084	-	1,003,084
Depreciation	623,991	-	49,357	-	673,348	-	673,348
Development expenses	-	-	-	348,175	348,175	-	348,175
Food service expenses	96,965	-	-	-	96,965	-	96,965
Insurance	171,312	-	6,439	-	177,751	-	177,751
Interest	278,935	57,864	6,903	-	343,702	(64,767)	278,935
Occupancy expenses	146	-	88,781	-	88,927	-	88,927
Other expenses (income)	8,172	15,000	-	-	23,172	-	23,172
Provision for uncollectible tuition	86,729	-	-	-	86,729	-	86,729
Provision for uncollectible unconditional promises to give	-	-	-	6,000	6,000	-	6,000
Scholarships/trust disbursements	75,900	-	-	-	75,900	-	75,900
Eagle Solar expenses	-	22,631	-	-	22,631	(3,600)	19,031
Eagle Camp expenses	36,014	-	-	-	36,014	-	36,014
Other Ditto thrift store expenses	-	-	187,988	-	187,988	-	187,988
	<u>15,308,120</u>	<u>95,495</u>	<u>653,701</u>	<u>688,779</u>	<u>16,746,095</u>	<u>(124,767)</u>	<u>16,621,328</u>
Changes in net assets from operations	<u>(2,013,225)</u>	<u>35,470</u>	<u>267,950</u>	<u>1,203,255</u>	<u>(506,550)</u>	<u>64,767</u>	<u>(441,783)</u>
Net assets transferred							
Assets transferred to/(from) affiliate	1,507,885	-	(308,000)	(1,199,885)	-	-	-
Equity in earnings on investment in Eagle Solar, LLC	35,470	-	-	-	35,470	(35,470)	-
	<u>1,543,355</u>	<u>-</u>	<u>(308,000)</u>	<u>(1,199,885)</u>	<u>35,470</u>	<u>(35,470)</u>	<u>-</u>
Association endowment							
Investment income	265,824	-	-	-	265,824	(64,767)	201,057
Net unrealized gain on investments	1,092,661	-	-	-	1,092,661	-	1,092,661
Realized gain on sale of investments	251,955	-	-	-	251,955	-	251,955
	<u>1,610,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,610,440</u>	<u>(64,767)</u>	<u>1,545,673</u>
Non-operating activities							
Loss from change in value of interest rate swap	(104,446)	-	-	-	(104,446)	-	(104,446)
Changes in net assets	<u>\$ 1,036,124</u>	<u>\$ 35,470</u>	<u>\$ (40,050)</u>	<u>\$ 3,370</u>	<u>\$ 1,034,914</u>	<u>\$ (35,470)</u>	<u>\$ 999,444</u>

See Independent Auditor's Report.

Eastern Christian School Association and Affiliates
Combining Schedule of Activities
Year Ended August 31, 2023 (Restated)

	Eastern Christian School Association	Eagle Solar, LLC	Ditto of North Jersey, LLC	The Foundation for Eastern Christian School Association	Total	Eliminating Entries	Combined Total
Revenues							
Tuition and fees	\$ 10,632,077	\$ -	\$ -	\$ -	\$ 10,632,077	\$ -	\$ 10,632,077
Grant revenue	112,538	-	-	-	112,538	-	112,538
Rental revenue	268,285	-	-	-	268,285	-	268,285
Eagle Solar revenue	-	141,917	-	-	141,917	(3,600)	138,317
Eagle Camp revenue	388,754	-	-	-	388,754	-	388,754
Ditto thrift store revenue	-	-	932,205	-	932,205	-	932,205
Food service	182,719	-	-	-	182,719	-	182,719
Other revenue	323,687	-	-	57,182	380,869	-	380,869
Contributions	-	-	260	2,474,887	2,475,147	-	2,475,147
Contributions of nonfinancial assets	-	-	-	23,215	23,215	-	23,215
	<u>11,908,060</u>	<u>141,917</u>	<u>932,465</u>	<u>2,555,284</u>	<u>15,537,726</u>	<u>(3,600)</u>	<u>15,534,126</u>
Expenses							
Compensation and related expenses	10,066,267	-	376,050	331,157	10,773,474	-	10,773,474
Association expenses	689,097	-	-	-	689,097	-	689,097
Repairs and maintenance	1,062,802	-	-	-	1,062,802	-	1,062,802
Transportation expenses	48,049	-	-	-	48,049	-	48,049
Educational supplies	705,603	-	-	-	705,603	-	705,603
Depreciation	402,042	-	47,830	-	449,872	-	449,872
Development expenses	-	-	-	291,682	291,682	-	291,682
Food service expenses	122,542	-	-	-	122,542	-	122,542
Insurance	122,761	-	494	-	123,255	-	123,255
Interest	237,115	57,464	7,451	-	302,030	(64,915)	237,115
Occupancy expenses	146	-	103,937	-	104,083	-	104,083
Other expenses	6,095	(16,000)	-	-	(9,905)	-	(9,905)
Provision for uncollectible tuition	19,574	-	-	-	19,574	-	19,574
Provision for uncollectible unconditional promises to give	800	-	-	-	800	-	800
Scholarships/trust disbursements	48,050	-	-	-	48,050	-	48,050
Eagle Solar expenses	-	17,925	-	-	17,925	(3,600)	14,325
Eagle Camp expenses	22,821	-	-	-	22,821	-	22,821
Other Ditto thrift store expenses	-	-	167,594	-	167,594	-	167,594
	<u>13,553,764</u>	<u>59,389</u>	<u>703,356</u>	<u>622,839</u>	<u>14,939,348</u>	<u>(68,515)</u>	<u>14,870,833</u>
Changes in net assets from operations	<u>(1,645,704)</u>	<u>82,528</u>	<u>229,109</u>	<u>1,932,445</u>	<u>598,378</u>	<u>64,915</u>	<u>663,293</u>
Net assets transferred							
Assets transferred to/(from) affiliate	2,149,752	-	(308,000)	(1,841,752)	-	-	-
Equity in earnings on investment in Eagle Solar, LLC	51,528	-	-	-	51,528	(51,528)	-
	<u>2,201,280</u>	<u>-</u>	<u>(308,000)</u>	<u>(1,841,752)</u>	<u>51,528</u>	<u>(51,528)</u>	<u>-</u>
Association endowment							
Investment income	241,043	-	-	-	241,043	(64,915)	176,128
Net unrealized loss on investments	(11,987)	-	-	-	(11,987)	-	(11,987)
Realized gain on sale of investments	496,447	-	-	-	496,447	-	496,447
	<u>725,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>725,503</u>	<u>(64,915)</u>	<u>660,588</u>
Changes in net assets	<u>\$ 1,281,079</u>	<u>\$ 82,528</u>	<u>\$ (78,891)</u>	<u>\$ 90,693</u>	<u>\$ 1,375,409</u>	<u>\$ (51,528)</u>	<u>\$ 1,323,881</u>

See Independent Auditor's Report.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Eastern Christian School Association and Affiliates:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the combined financial statements of Eastern Christian School Association and Affiliates (the "Organization"), which comprise the combined statement of financial position as of August 31, 2024, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated December 29, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's combined financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the accompanying schedule of findings and recommendations as items 2024-001, 2024-002, 2024-003 and 2024-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and recommendations as item 2004-05 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. The Organization's response was not subjected to the other auditing procedures applied in the audit of the combined financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, professional style.

December 29, 2025

Eastern Christian School Association and Affiliates

Schedule of Findings and Recommendations

August 31, 2024

Finding Number: 2024-001 – Restatement of 2023 Combined Financial Statements

Criteria: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the combined financial statements, including the related disclosures and necessary adjustments, in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Condition: The Organization did not properly follow ASC 958-605 – Not-for-Profit Entities: Revenue Recognition. An unconditional promise to give was not recorded at the time the agreement was signed. In addition, contributions that had been received in a prior fiscal year were not properly categorized as contributions with donor restrictions and corresponding net assets with donor restrictions. There were certain other adjustments relating to cash flow modifications and leveling changes within the fair value measurement hierarchy.

Cause: The Organization did not properly recognize revenue in accordance with ASC 958-605. In addition, the Organization did not properly categorize contribution revenue with donor restrictions.

Effect: The restatement resulted in a modification in various combined financial statement amounts including unconditional promises to give, total assets, net assets without donor restrictions – undesignated, net assets with donor restrictions – purpose restricted funds, contributions without donor restrictions, contributions with donor restrictions. The effects of the restatement are further detailed in Note 20 to the combined financial statements.

Recommendation: We recommend that management monitor pronouncements to determine the impact on the combined financial statements and implement processes and controls to properly identify and record these transactions. In addition, we recommend that management monitor donor restrictions to ensure proper classification within the combined financial statements.

View of Responsible Officials and Planned Corrective Action: There is no disagreement with this finding. Monthly financial profit and loss statements are currently being prepared and signed off on by the CFO. Additional adjustments are being incorporated to include monthly balance sheets and ensure compliance with GAAP.

Finding Number: 2024-002 – Reconciliation, Financial Reporting and Closing Process

Criteria: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the combined financial statements, including the related disclosures and necessary adjustments, in conformity with accounting principles generally accepted in the United States of America (“GAAP”). This includes implementing processes and internal controls surrounding financial close and reporting.

Condition: During audit procedures performed for the year ended August 31, 2024, there were several audit areas where reconciliation processes were not followed. These areas included the following: 1) depreciation expense is a material amount, which is recorded on an annual basis versus consistently throughout the year, 2) cash account reconciliations were not updated for old or stale outstanding checks or deposits in transit, and in some instances, were performed by volunteers or other individuals outside of the accounting/finance department, and 3) documentation of meetings relating to outstanding accounts receivable and the planned process going forward for collections.

Cause: The Organization did not formally implement and follow processes and internal controls that support the financial reporting reconciliation and close process.

Effect: The Organization’s combined financial statements were materially inaccurate for a period of time during the fiscal year ended August 31, 2024. Material audit journal entries were required to be made to the books and records due to the absence of reconciliation processes implemented and followed by the Organization.

Eastern Christian School Association and Affiliates
Schedule of Findings and Recommendations
August 31, 2024

Recommendation: We recommend that management implement stronger processes and related internal controls pertaining to financial reporting. Management should establish and document a month-end close schedule and produce monthly combined financial statements prepared in accordance with GAAP, which include supporting schedules. The combined financial statements should be reviewed for accuracy and completeness by the Chief Financial Officer (“CFO”) and/or the Finance Committee on periodic basis and signed off upon approval.

View of Responsible Officials and Planned Corrective Action: There is no disagreement with this finding. Monthly financial profit and loss statements are currently being prepared and signed off on by the CFO. Additional adjustments are being incorporated to include monthly balance sheets and ensure compliance with GAAP.

Finding Number: 2024-003 – Formalization and Documentation of Review Procedures

Criteria: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the combined financial statements, including the related disclosures and necessary adjustments, in conformity with GAAP. This includes formalizing review procedures surrounding the financial statement reconciliation and close process.

Condition: During procedures performed over bank reconciliations and payroll reporting, it was noted that although there were review procedures in place internally, they were not formalized. In addition, there was no substantiation of the review on the documents received and reviewed as part of the audit procedures. Changes to an employee’s personnel file was noted to be approved by the Human Resource Department or other department, as applicable, but there was no support maintained for the request or approval of changes. Further, the Organization had implemented a capitalization policy that was being followed which had not been formalized.

Cause: The Organization did not formalize and document internal review procedures over documentation.

Effect: Although items may have been reviewed, the lack of formalization and documentation is not available to support the review.

Recommendation: We recommend that management formalize a review and documentation process to support the internal review of documents such as bank reconciliations and payroll reporting and any related changes to personnel files. Lastly, we recommend that the capitalization policy implemented be documented and formalized.

View of Responsible Officials and Planned Corrective Action: There is no disagreement with this finding. We have further formalized our review process and have added a documentation process pertaining to bank reconciliations and payroll reporting.

Finding Number: 2024-004 – Implemented Process Not Being Followed

Criteria: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the combined financial statements, including the related disclosures and necessary adjustments, in conformity with GAAP. This includes implementing controls in place surrounding day to day business procedures.

Condition: Checks that are in excess of \$10,000 require two signatures. While performing a walkthrough of the cash disbursement process, a cash disbursement was selected in the amount of \$10,638.05. It was noted that the check did not have two signatures, and therefore, did not follow implemented procedures.

Cause: The Organization did not follow procedures in place requiring two signatures on checks in excess of \$10,000. There was only one signature on the check, which does not align with the controls in place.

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Effect: Controls in place are not being followed.

Recommendation: We recommend that management implement a review process to ensure that all checks in excess of \$10,000 are appropriately following the process that requires two signatures.

View of Responsible Officials and Planned Corrective Action: There is no disagreement with this finding. We have further formalized our review process and have added a documentation process pertaining to bank reconciliations and payroll reporting.

Finding Number: 2024-005 – Note Receivable Agreement Review

Criteria: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the combined financial statements, including the related disclosures and necessary adjustments, in conformity with GAAP. This includes implementing processes and internal controls surrounding financial close and reporting.

Condition: Payments were not being made in accordance with the agreed upon payment schedule, per the signed agreement for a note receivable balance that was selected for testing for outstanding tuition.

Cause: The Organization did not review payments being made in accordance with the notes receivable agreement that was signed between the Organization and the parent/guardian. With respect to this agreement, although monthly payments were required, there were no payments made on the note in over a year.

Effect: Note receivable balance that is not in line with the expected agreement.

Recommendation: We recommend that management implement a process to review outstanding note receivable balances to ensure proper allowance is recorded. It is further recommended that the agreements are revisited and updated, as necessary, according to the needs of each family to ensure that payments are made towards outstanding balances.

View of Responsible Officials and Planned Corrective Action: We are in general agreement with this finding and recommendation. We already reserve a significant portion of the notes receivable, and we are typically in regular contact with the families involved. We will begin retaining proof of review and adjustments based on current circumstances.