Eastern Christian School Association and Affiliates [a Non-Profit Organization]

Combined Financial Statements

Years Ended August 31, 2020 and 2019

Eastern Christian School Association and Affiliates
[a Non-Profit Organization]

Combined Financial Statements

Years Ended August 31, 2020 and 2019

C O N T E N T S

Independent Auditor's Report

Board of Directors
Eastern Christian School Association and Affiliates
[a Non-Profit Organization]

Report on the Financial Statements

We have audited the accompanying combined financial statements of Eastern Christian School Association and Affiliates [a Non-Profit Organization], which comprise the combined statements of financial position as of August 31, 2020 and 2019, and the related combined statements of activities and of cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Eastern Christian School Association and Affiliates [a Non-Profit Organization] as of August 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sax LLP

Parsippany, New Jersey
February 9, 2021

Eastern Christian School Association and Affiliates
[a Non-Profit Organization]

Combined Statements of Financial Position

	August 31, 2020	August 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,402,599	$ 812,479
Restricted cash	1,139,081	523,015
Tuition receivable, net	187,358	208,495
Notes receivable, net	40,090	34,088
Other receivables	-	21,914
Unconditional promises to give, net	825,978	1,130,317
Accrued income	5,207	6,470
Other current assets	143,175	197,745
Total current assets	3,743,488	2,934,523
PROPERTY AND EQUIPMENT, NET	5,858,946	6,144,546
OTHER ASSETS		
Investments and endowment	7,775,783	7,549,917
Other non-current assets	443,956	421,000
Total other assets	8,219,739	7,970,917
TOTAL ASSETS	**$ 17,822,173**	**$ 17,049,986**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Deferred income	$ 2,574,892	$ 2,919,252
Short-term borrowings	3,077,011	3,630,946
Accounts payable	314,113	342,468
Accrued expenses	1,045,718	488,976
Loans payable, current portion	304,423	220,113
Total current liabilities	7,316,157	7,601,755
LONG-TERM LIABILITIES		
Loans payable, net of current portion	1,955,689	1,689,137
Paycheck Protection Program ("PPP") loan payable	1,511,500	-
	3,467,189	1,689,137
NET ASSETS		
Without donor restrictions	4,559,161	5,014,624
With donor restrictions	2,479,666	2,744,470
Total net assets	7,038,827	7,759,094
TOTAL LIABILITIES AND NET ASSETS	**$ 17,822,173**	**$ 17,049,986**

See accompanying Notes to Combined Financial Statements.

Eastern Christian School Association and Affiliates
[a Non-Profit Organization]

Combined Statement of Activities

	Year Ended August 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Tuition and fees, net	$ 8,710,574	$ -	$ 8,710,574
Transportation	105,425	-	105,425
Other income	178,448	-	178,448
Rental income	167,848	-	167,848
Eagle Solar revenue	178,782	-	178,782
Ditto revenue	574,192	-	574,192
Contributions (including in-kind of $32,257)	870,589	607,133	1,477,722
TRIP income	35,656	-	35,656
Eagle Camp revenue	49,356	-	49,356
Investment income	138,579	22,222	160,801
Net gain on investments	547,232	104,989	652,221
Total revenues	11,556,681	734,344	12,291,025
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of donor restrictions	999,148	(999,148)	-
Total revenues, gains, and other support	12,555,829	(264,804)	12,291,025
EXPENSES			
Compensation and related expenses	9,149,439	-	9,149,439
Association expenses	944,674	-	944,674
Building maintenance	577,630	-	577,630
Transportation expenses	62,334	-	62,334
Educational supplies	586,900	-	586,900
Depreciation and amortization	825,774	-	825,774
Insurance	134,868	-	134,868
Bad debts	66,339	-	66,339
Interest	219,473	-	219,473
Other expenses	(46,248)	-	(46,248)
Scholarships/trust disbursements	52,750	-	52,750
Eagle Solar expenses	45,315	-	45,315
Ditto expenses	216,732	-	216,732
Eagle Camp expenses	2,817	-	2,817
Development expenses	153,459	-	153,459
Summer AM Expenses	38	-	38
Winter AM Expenes	18,998	-	18,998
Total expenses	13,011,292	-	13,011,292
Decrease in net assets	(455,463)	(264,804)	(720,267)
NET ASSETS, *beginning of year*	5,014,624	2,744,470	7,759,094
NET ASSETS, *end of year*	**$ 4,559,161**	**$ 2,479,666**	**$ 7,038,827**

See accompanying Notes to Combined Financial Statements.

Eastern Christian School Association and Affiliates
[a Non-Profit Organization]

Combined Statement of Activities

	Year Ended August 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Tuition and fees, net	$ 8,764,424	$ -	$ 8,764,424
Transportation	185,750	-	185,750
Other income	344,814	-	344,814
Rental income	171,328	-	171,328
Eagle Solar revenue	163,141	-	163,141
Ditto revenue	748,706	-	748,706
Contributions (including in-kind of $52,109)	1,014,022	799,019	1,813,041
TRIP income	55,550	-	55,550
Eagle Camp revenue	370,800	-	370,800
Investment income	133,832	14,261	148,093
Net gain on investments	71,074	19,424	90,498
Total revenues	12,023,441	832,704	12,856,145
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of donor restrictions	663,322	(663,322)	-
Total revenues, gains, and other support	12,686,763	169,382	12,856,145
EXPENSES			
Compensation and related expenses	9,599,046	-	9,599,046
Association expenses	854,611	-	854,611
Building maintenance	825,773	-	825,773
Transportation expenses	101,815	-	101,815
Educational supplies	693,470	-	693,470
Depreciation and amortization	824,130	-	824,130
Insurance	134,288	-	134,288
Bad debts	13,030	-	13,030
Interest	215,024	-	215,024
Other expenses	19,858	-	19,858
Scholarships/trust disbursements	21,150	-	21,150
Eagle Solar expenses	71,834	-	71,834
Ditto expenses	238,434	-	238,434
Eagle Camp expenses	26,854	-	26,854
Development expenses	288,040	-	288,040
Summer AM Expenses	4,271	-	4,271
Winter AM Expenses	19,838	-	19,838
Total expenses	13,951,466	-	13,951,466
Increase (decrease) in net assets	(1,264,703)	169,382	(1,095,321)
NET ASSETS, ***beginning of year***	6,279,327	2,575,088	8,854,415
NET ASSETS, ***end of year***	**$ 5,014,624**	**$ 2,744,470**	**$ 7,759,094**

See accompanying Notes to Combined Financial Statements.

Eastern Christian School Association and Affiliates
[a Non-Profit Organization]

Combined Statements of Cash Flows

	Years Ended August 31, 2020	2019
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Decrease in net assets	$ (720,267)	$ (1,095,321)
Adjustments to reconcile decrease in net assets to net cash provided by (used for) operating activities		
Depreciation and amortization	825,774	824,130
Net unrealized (gain) loss on investments	(565,063)	134,167
Net change in value of SREC sales contract	26,044	52,000
Deferred tax (benefit) expense	(49,000)	15,000
Bad debts	66,339	13,030
(Increase) decrease in assets		
Tuition receivable	21,137	(112,455)
Notes receivable	(6,002)	(459)
Other receivables	21,914	12,957
Unconditional promises to give	238,000	115,823
Accrued income	1,263	(2,684)
Other current assets	54,570	6,418
Increase (decrease) in liabilities		
Deferred income	(344,360)	(195,099)
Accounts payable	(28,355)	241,713
Accrued expenses	556,742	194,584
	98,736	**203,804**
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Proceeds from (investment in) endowment assets, net of appropriations	339,197	246
Acquisition of property and equipment	(540,174)	(396,919)
	(200,977)	**(396,673)**
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES		
Advances on short-term borrowings	450,000	700,000
Repayments of short-term borrowings	(1,003,935)	(680,000)
Proceeds from loans payable	600,000	-
Repayment of loans payable	(249,138)	(249,718)
Proceeds from PPP loan payable	1,511,500	-
	1,308,427	**(229,718)**
Net increase (decrease) in cash, cash eqivalents, and restricted cash	**1,206,186**	**(422,587)**
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, *beginning of year*	1,335,494	1,758,081
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, *end of year*	**$ 2,541,680**	**$ 1,335,494**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 219,473	$ 215,024

See accompanying Notes to Combined Financial Statements.

Note 1 - Summary of Significant Accounting Policies

a. Basis of Combination

The accompanying combined financial statements of Eastern Christian School Association and Affiliates [a Non-Profit Organization] ("the Organization"), includes the following entities: Eastern Christian School Association ("ECSA"), The Foundation for Eastern Christian School Association ("Foundation"), Ditto of North Jersey, LLC ("Ditto"), and Eagle Solar, LLC ("Eagle"). Hereinafter, the combined entities are referred to as "the Organization". All inter-company balances and transactions have been eliminated in this combination.

b. Nature of Activities

The Eastern Christian School Association ("ECSA") is a Non-Profit organization established under the laws of the State of New Jersey. The Organization 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. The Organization is supported primarily through tuition and contributions from members.

The Foundation for Eastern Christian School Association ("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 Organization.

Ditto of North Jersey, LLC ("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 Solar, LLC ("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 Organization's school locations. The solar equipment commenced generating power between June and July 2011.

c. Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The net asset without donor restrictions category represents net assets that are not subject to donor-imposed restrictions and the net asset with donor restrictions category represents net assets that are subject to time or purpose donor-imposed restrictions.

Assets accumulated, and resources received and expended by the Organization are either without donor restrictions or restricted by the donor for a particular purpose. Net assets with donor restrictions represent contributions to the Organization whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by expending the funds for their restricted purpose. 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.

Note 1 - Summary of Significant Accounting Policies - Continued

d. Cash and Cash Equivalents

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

e. Tuition and Notes Receivable

The Organization uses the reserve for bad debt method of valuing tuition receivable, which is based on historical experience, coupled with a review of the current status of existing receivables. The reserve for doubtful accounts against tuition receivable was $261,124 and $249,811 for the years ended August 31, 2020 and 2019, respectively.

In order to secure payment on balances owed, the Organization will require families to sign promissory notes for unpaid tuition balances. Reserve for bad debt on notes is based on historical experience, coupled with payment history in accordance with terms of the underlying note agreements. The reserve for doubtful accounts against note receivables was $40,089 and $11,363 for the years ended August 31, 2020 and 2019, respectively.

Balances of tuition and notes receivable are as follows:

	August 31,	
	2020	2019
Tuition receivable	$ 448,482	$ 458,306
Notes receivable	80,179	45,451
Total	528,661	503,757
Less reserve for doubtful accounts	301,213	261,174
Net tuition and notes receivable	$ 227,448	$ 242,583

f. Tuition Revenues

Tuition revenue is recognized monthly over the term of the school year and is shown net of financial aid scholarships awarded to students. Scholarships awarded to students totaled $2,412,817 and $2,052,772 for the years ended August 31, 2020 and 2019, respectively.

Note 1 - Summary of Significant Accounting Policies - Continued

g. Property and Equipment

Property and equipment are carried 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. Maintenance and repairs are treated as expenses.

Depreciation and amortization is provided in amounts sufficient to write-off the cost of depreciable assets, less salvage value, over their estimated useful lives. Depreciation is computed by using the straight-line method over the following estimated useful lives of the depreciable assets.

Buildings	40 years
Improvements	10 - 40 years
Vehicles and buses	10 years
Furniture and fixtures	5 - 10 years

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.

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

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of August 31, 2020 and 2019, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

h. Revenue with Restrictions and without Restrictions

Revenue that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the combined statements of activities as net assets released from restrictions.

Note 1 - Summary of Significant Accounting Policies - Continued

i. Donated Services and Materials

Volunteers contribute time in conjunction with the Organization's programs and services. The value of these services is not included in these combined financial statements since they would not typically be purchased by the Organization and do not require specialized skills. Donated materials are recorded at their estimated fair market value at the date of donation and are included on the combined statements of activities under the caption contributions.

Merchandise donated to Ditto and sold during the year is included under the caption "Ditto revenue" on the combined statements of activities. Merchandise donated to Ditto and not sold during the year is included under the caption "Contributions" on the combined statements of activities. 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, 2020, and 2019, Ditto had merchandise valued at $47,593, in both years, on hand and is included under the caption "other current assets" on the combined statements of financial position.

j. Investments

Investments in marketable securities and debt securities are carried at fair market value and remeasured on a recurring basis. Unrealized gains and losses are included in the change in net assets. Investment income is reported net of investment fees of $43,073 and $42,487 for the years ended August 31, 2020 and 2019, respectively.

k. Financial Instruments

"Eagle" entered into a forward fixed-price sales contract in February 2011 to sell energy credits generated by the solar power system, located at the middle school campus, to Rockland Electric Company. The contract was entered into to reduce the Organization's exposure to fluctuations in the energy credit market. This contract is recognized as either an asset or liability at fair value in the combined statements of financial position with the changes in the fair value reported in current-period earnings. The contract value is classified on the combined statements of financial position as well as other non-current assets (see Note 5) and the change in the fair value is recorded on the income statement in Eagle Solar Revenue. For the years ended August 31, 2020 and 2019, the Organization recognized a reduction in the fair value of $26,044 and $52,000, on this contract, respectively.

Note 1 - Summary of Significant Accounting Policies - Continued

l. Fair Value measurement

The Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement and Disclosure*, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with ASC Topic 820-10-35, the Organization groups assets and liabilities at fair value into three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Quoted market prices for identical instruments traded in active markets.

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Model based techniques that use significant assumptions not observable in the market.

For the fiscal years ended August 31, 2020 and 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent.

m. Functional Expenses

The functional expenses schedule summarizes the costs of providing program and supporting activities for the years ended August 31, 2020 and 2019. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll, taxes, and pension, educational supplies, and association expenses these are allocated based on time and effort spent. Building maintenance and depreciation are allocated on a square-footage basis. All other significant expenses are allocated on a direct basis. ECSA's expenses are allocated between program and supporting services. Ditto's and Foundation's expenses are assigned to fundraising. Eagle's expenses are assigned to supporting services.

Note 1 - Summary of Significant Accounting Policies - Continued

m. Functional Expenses - Continued

	August 31, 2020			
	Program Services	Supporting Services	Fundraising Services	Total Functional Expenses
Payroll, taxes, and pension	$ 7,646,850	$ 1,265,957	$ 236,632	$ 9,149,439
Eagle Camp expenses	2,817	-	-	2,817
Educational supplies	540,946	45,954	-	586,900
Scholarship expense	-	-	52,750	52,750
Building maintenance	500,780	76,850	-	577,630
Depreciation	-	772,942	52,832	825,774
Travel and entertainment	-	2,752	-	2,752
Association expenses	87,225	857,449	-	944,674
Insurance	-	134,868	-	134,868
Bad debt	66,339	-	-	66,339
Transportation expense	62,334	-	-	62,334
Ditto expenses	-	-	216,732	216,732
Eagle Solar expenses	-	45,315	-	45,315
Development expenses	153,459	-	-	153,459
Summer AM expenses	38	-	-	38
Winter AM expenses	18,998	-	-	18,998
Interest expense	-	219,473	-	219,473
Deferred tax benefit	-	(49,000)	-	(49,000)
Total functional expenses	**$ 9,079,786**	**$ 3,372,560**	**$ 558,946**	**$ 13,011,292**

Note 1 - Summary of Significant Accounting Policies - Continued

m. Functional Expenses - Continued

	August 31, 2019			
	Program Services	**Supporting Services**	**Fundraising Services**	**Total Functional Expenses**
Payroll, taxes, and pension	$ 7,805,513	$ 1,483,927	$ 309,606	$ 9,599,046
Eagle Camp expenses	26,854	-	-	26,854
Educational supplies	655,545	37,925	-	693,470
Scholarship expense	-		21,150	21,150
Building maintenance	664,366	161,407	-	825,773
Depreciation	-	771,298	52,832	824,130
Travel and entertainment	-	4,315	-	4,315
Association expenses	223,242	631,369	-	854,611
Bank fees	-	543	-	543
Insurance	-	134,288	-	134,288
Bad debt	13,030	-	-	13,030
Transportation expense	101,815	-	-	101,815
Ditto expenses	-	-	238,434	238,434
Eagle Solar expenses	-	71,834	-	71,834
Development expenses	288,040	-	-	288,040
Summer AM expenses	4,271	-	-	4,271
Winter AM expenses	19,838	-	-	19,838
Interest expense	-	215,024	-	215,024
Deferred taxes	-	15,000	-	15,000
Total functional expenses	**$ 9,802,514**	**$ 3,526,930**	**$ 622,022**	**$ 13,951,466**

n. Tax Status

"ECSA", "Foundation", and "Ditto" are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state income taxes. "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 $1,636,911 for federal and state income tax purposes as of August 31, 2020, that expire at various times through 2035 and are subject to certain limitations and statutory expiration periods.

Note 1 - Summary of Significant Accounting Policies - Continued

n. Tax Status - Continued

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. The provision for deferred Federal and New Jersey state income taxes consisted of a net benefit (expense) for the years ended August 31, 2020 and 2019 in the amounts of $49,000 and ($15,000), respectively, and is included on the combined statements of activities under the caption “Other expenses”. The actual tax expense for the years ended August 31, 2020 and 2019 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. 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 5).

The Organization has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the combined financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the combined financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. The Organization recognizes interest associated with unrecognized tax benefits in interest expense and penalties as operating expenses.

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

o. Accounting Estimates

The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

p. Endowment Funds

Net Asset Classification - The Organization's endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments to support ECSA. As required by U.S. GAAP, net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 1 - Summary of Significant Accounting Policies - Continued

p. Endowment Funds - Continued

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) 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 permitted by donor-imposition, the remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization is governed subject to the Governing documents for the Organization and most contributions are received subject to the terms of the Governing Document.

Under the terms of the Governing Documents, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund.
b. The purposes of the Organization and the donor-restricted endowment fund.
c. General economic conditions.
d. The possible effect of inflation and deflation.
e. The expected total return from income and the appreciation of investments.
f. Other resources of the Organization.
g. The investment policies of the Organization.

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. Actual returns in any given year may vary from this amount.

Note 1 - Summary of Significant Accounting Policies - Continued

p. Endowment Funds - Continued

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 Organization'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.

q. Concentration of Credit Risk for Cash Held at Financial Institutions

The Organization maintains substantially all of its cash balances with one financial institution. From time to time, the Organization maintained cash balances in excess of the federally insured limits.

r. Recent Accounting Pronouncements

In 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2016, the FASB issued ASU 2016-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2019. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the combined financial statements.

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of the new standard on the Organization's combined financial statements.

Note 1 - Summary of Significant Accounting Policies - Continued

r. Recent Accounting Pronouncements - Continued

In September 2020, the FASB issued ASU 2020-07, *Not for Profit Entities* (Topic 958*): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit organization to provide additional disclosures on the contributed nonfinancial assets with the intent to improve transparency in the reporting of contributed nonfinancial assets. The ASU is effective for fiscal years beginning after June 15, 2021.

s. Newly Adopted Accounting Pronouncements

In 2016, the FASB issued ASU 2016-18, *Statements of Cash Flows* (Topic 230): *Restricted Cash.* Per this ASU, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the combined statements of cash flows. This standard was adopted for the year ended August 31, 2020. Restricted cash now shown as part of cash and restricted cash on the combined statements of cash flows amount to $1,139,081 and $523,015, for the years ended August 31, 2020 and 2019, respectively.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all entities that receive or make contributions. This ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU No. 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. The Organization adopted the standard prospectively for contributions received for the fiscal year ended August 31, 2020. The adoption of the standard resulted in most grants being accounted for as contributions than were under previous guidance. The Organization does not make significant contributions and the impact of ASU 2018-08 related to contributions made is not expected to be material to the financial statements or disclosures.

t. Reclassifications

Certain reclassifications have been made to the prior amounts to conform to the current year presentation.

u. Subsequent Events

The Organization has evaluated subsequent events for potential recognition or disclosure through February 9, 2021, the date the combined financial statements were available to be issued.

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Notes to Combined Financial Statements

Years Ended August 31, 2020 and 2019

Note 2 - Fair Value

The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, accrued liabilities, and short-term borrowings approximates fair value due to the short maturity of these instruments. The carrying amount of the Organization's loans payable approximates fair value because the interest rates fluctuate with market interest rates.

Endowment Investments - The fair value for substantially all of the Organization's endowment investments is determined by the use of quoted market prices obtained from an independent third-party pricing service. Based on the nature of the investments the fair value of investments is considered a Level 1 item within the Fair Value hierarchy.

Forward Fixed-Price Sales Contract - Forward fixed-price sales contracts do not trade in an active, open market with readily observable prices. Accordingly, "Eagle" estimates the fair value of this contract using discounted cash flow ("DCF") models incorporating closing spot energy credit prices on an active exchange, energy credit generation capacity of the underlying solar equipment, contract fixed sales price, market discount rates, and default rates. Due to the nature of the valuation inputs, the contract is classified within Level 2 of the valuation hierarchy.

Assets measured at fair value and are summarized as follows:

	August 31, 2020				
	Level 1	Level 2	Level 3	Cost	Unrealized Income
Money market funds	$ 87,888	$ -	$ -	$ 87,888	$ -
Fixed Income					
Domestic mutual funds	2,374,195	-	-	2,137,238	236,957
Global fixed income	140,000			140,000	-
Foreign exchange and non-US fixed income	625,732	-	-	605,373	20,359
Alternative assets					
Real estate funds	-	-	-	-	-
Equities					
Domestic mutual funds	2,848,951	-	-	2,143,909	705,042
International mutual funds	909,751	-	-	846,790	62,961
Barnabas Foundation	789,266	-	-	624,164	165,102
Forward fixed-price sales contract	-	35,956	-	-	35,956
Total	$ 7,775,783	$ 35,956	$ -	$ 6,585,362	$ 1,226,377

	August 31, 2019				
	Level 1	Level 2	Level 3	Cost	Unrealized Income
Money market funds	$ 122,431	$ -	$ -	$ 122,431	$ -
Fixed Income					
Domestic mutual funds	2,347,121	-	-	2,212,353	134,768
Alternative assets					
Real estate funds	457,112	-	-	425,000	32,112
Equities					
Domestic mutual funds	2,380,668	-	-	2,119,539	261,129
International mutual funds	1,330,726	-	-	1,262,172	68,554
Barnabas Foundation	911,859	-	-	783,064	128,795
Forward fixed-price sales contract	-	62,000	-	-	62,000
Total	$ 7,549,917	$ 62,000	$ -	$ 6,924,559	$ 687,358

Note 2 - Fair Value - Continued

The Organization 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.

Note 3 - Endowments

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, as of and for the years ended August 31, 2020 and 2019 are as follows:

	August 31, 2020		
	Board Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, August 31, 2019	$ 6,638,059	$ 911,858	$ 7,549,917
Contributions	75,864	42,298	118,162
Investment return			
Investment income	132,203	21,902	154,105
Net gain on investments	547,232	104,989	652,221
Amounts appropriated for expenditure			
Operations	(450,000)	(52,750)	(502,750)
ECSA	4,571	(237,531)	(232,960)
Eagle Solar	23,212	-	23,212
Ditto	13,876	-	13,876
Endowment net assets, August 31, 2020	$ 6,985,017	$ 790,766	$ 7,775,783

	August 31, 2019		
	Board Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, August 31, 2018	$ 6,740,782	$ 943,548	$ 7,684,330
Contributions	103,009	175,347	278,356
Investment return			
Investment income	132,964	13,659	146,623
Net gain on investments	71,074	19,424	90,498
Amounts appropriated for expenditure			
Operations	(450,000)	(21,150)	(471,150)
ECSA	4,527	(218,970)	(214,443)
Eagle Solar	22,304	-	22,304
Ditto	13,399	-	13,399
Endowment net assets, August 31, 2019	$ 6,638,059	$ 911,858	$ 7,549,917

Note 3 - Endowments - Continued

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, 2020 and 2019 are $453,320 and $487,981, respectively. Total appropriations outstanding and to be returned to the donor-restricted endowment as of August 31, 2020 and 2019 are $679,614 and $442,613, 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 $499,665 and $516,648 as of August 31, 2020 and 2019, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature exist in aggregate in the donor-restricted endowments, which has an original gift value of $1,034,347, a current fair value of $789,266, and a deficiency of $245,081 as of August 31, 2020. These deficiencies resulted from certain appropriations that were deemed prudent by the Board of Trustees.

The Organization 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. The governing board appropriated for expenditure $250,000 from the underwater endowment funds during the year.

Note 4 - Property and Equipment

Property and equipment consist of the following:

	August 31,	
	2020	2019
Land	$ 182,000	$ 182,000
Buildings and improvements	12,105,026	11,808,476
Vehicles and buses	725,253	1,145,515
Furniture and fixtures	468,502	303,155
Fixed assets - Eagle Solar, LLC	2,969,010	2,969,010
Fixed assets - Ditto of North Jersey, LLC	543,268	543,268
Construction in progress	235,196	156,919
Total	17,228,255	17,108,343
Less accumulated depreciation	11,369,309	10,963,797
Net property and equipment	$ 5,858,946	$ 6,144,546

Note 5 - Other Assets

Other assets consist of the following:

	August 31, 2020	August 31, 2019
Other current assets		
Prepaid expenses	$ 29,795	$ 19,766
Deposits	120	(342)
TRIP cards on hand	19,961	59,339
Eagle Solar SREC on account	45,706	71,389
Ditto inventory	47,593	47,593
Total other current assets	$ 143,175	$ 197,745
Other non-current assets		
Gross deferred tax asset (Note 1-n)	$ 408,000	$ 359,000
FMV of long-term sales contract (Note 1-l)	35,956	62,000
Total other non-current assets	$ 443,956	$ 421,000

Note 6 - Short-Term Borrowings

ECSA entered into a line of credit agreement with JPMorgan Chase bank in May 2012 in the amount of $2,500,000. The loan is collateralized by essentially all of ECSA's assets and bears interest at the adjusted LIBOR rate plus 1%. The effective rate at August 31, 2020 was 1.18%. This line expires February 28, 2021. As of August 31, 2020, and 2019, there was an outstanding balance of $1,467,936 and $1,876,368, respectively.

In May 2012, Eagle obtained a new line of credit with JPMorgan Chase. The line of credit has a limit of $2,000,000 and is collateralized by the unrestricted endowment assets of ECSA and the assets of Eagle. The line bears interest at the adjusted LIBOR rate plus 1%. The effective rate at August 31, 2020 was 1.18%. This line expires February 28, 2021. As of August 31, 2020, and 2019, there was an outstanding balance of $1,609,075 and $1,754,578, respectively.

ECSA renewed a line of credit with Columbia Bank which expires May 15, 2021. The line of credit has a limit of $500,000 and is collateralized by the property at 25 Baldwin Drive, Midland Park, New Jersey. The line bears interest at the Prime rate plus 1%, however, never to be more than 5.50%. As of August 31, 2020, and 2019, there was an outstanding balance of $-0-.

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Notes to Combined Financial Statements

Years Ended August 31, 2020 and 2019

Note 7 - Loans Payable

Loans payable as of August 31, 2020 and 2019 consist of the following:

	August 31, 2020	August 31, 2019
Note payable to Columbia Bank, formerly Atlantic Stewardship Bank in monthly installments of $6,011 including interest of 4.95% through August 15, 2028, collateralized by the property at 25 Baldin Drive, Midland Park.	$ 460,381	$ 505,889
Note payable to Columbia Bank, formerly Atlantic Stewardship Bank in monthly installments of $5,827 including interest of 4.95% through June 1, 2032, collateralized by the property at 25 Baldin Drive, Midland Park.	644,731	683,361
Private loan to various personal investors including related party members of ECSA management and the board of trustees, in interest only payments of 3.5%, matures December 2020.	45,000	130,000
Private loan to various personal investors including related party members of ECSA management and the board of trustees, in interest only payments of 3.5%, various maturities through August 2023.	510,000	590,000
Private loan to various personal investors including related party members of ECSA management and the board of trustees, in interest only payments of 3.5%, various maturities through September 2029.	600,000	-
Total	2,260,112	1,909,250
Less current portion	304,423	220,113
Loans payable, net of current portion	$ 1,955,689	$ 1,689,137

Future maturities of this debt are as follows:

Years ending August 31,	
2021	$ 304,423
2022	263,951
2023	268,709
2024	103,707
2025	78,958
Thereafter	1,240,364
Total notes payable	$ 2,260,112

Note 8 - Paycheck Protection Program ("PPP") Loan Payable

Eastern Christian School Association, (the "Borrower") was granted a loan from Columbia Bank on April 15, 2020 in the aggregate amount of $1,511,500 pursuant to The Coronavirus Aid, Relief, and Economic Security ("CARES") Act under the Paycheck Protection Program (the "PPP"). The loan, which was in the form of a note issued by the Borrower, matures in April 2022 and bears interest at a rate of 1.00% per annum. Payments on the note will be required commencing July 30, 2021. The loan may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, the loan may be forgiven if proceeds are used for qualifying expenses and payroll levels are maintained at prior levels, as described in the CARES Act. Management anticipates applying for and receiving forgiveness prior to July 31, 2021, the date payments are required to commence. Accordingly, the PPP debt has been classified as non-current.

Note 9 - 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. All employees that work 1,000 hours or more per year are eligible and must participate in the plan. The Organization 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 $201,107 and $380,145 for the years ended August 31, 2020 and 2019, respectively. Effective September 1, 2019, the Organization 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 Christian Schools International ("CSI") who operate 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 $130,641 for the year ended August 31, 2020.

Note 10 - Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	August 31,	
	2020	2019
Housing loans for teachers	$ -	$ 35,000
Equipment purchases	34,230	83,538
Athletic field improvements	1,654,670	1,714,074
Scholarships	790,766	911,858
Total net assets with donor restrictions	$ 2,479,666	$ 2,744,470

Note 11 - Lease Obligations

Ditto entered into a lease agreement for the use of the facility in North Haledon, NJ under an operating lease, which commenced June 1, 2020 and expires on May 31, 2025. The Organization leases certain office equipment under operating leases. The total lease expense recorded for the years ended August 31, 2020 and 2019 was $159,121 and $201,343, respectively.

The future minimum lease payments under these operating leases are as follows:

Years ending August 31,	
2021	$ 146,789
2022	116,715
2023	103,473
2024	96,852
2025	72,639
Total	$ 536,468

Note 12 - Liquidity and Availability

The following reflects the Organization's financial assets as of the combined statement of financial position dates, August 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the combined statement of financial position dates. Amounts not available include amounts set aside for capital improvements and financial aid funding.

	August 31,	
	2020	2019
Cash and cash equivalents	$ 1,402,599	$ 812,479
Tuition receivable, net	187,358	208,495
Pledges without donor restrictions	125,600	122,430
Appropriation from quasi-endowment	450,000	450,000
Financial assets available to meet cash needs for general expenditures within one year	$ 2,165,557	$ 1,593,404

The amount available to meet cash needs for general expenditures within one year represents approximately 17% of the Organization's annual expenditures. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has three committed lines of credit totaling $5,000,000, of which $1,422,989 is currently available which it could draw upon. Additionally, the Organization has a quasi-endowment of $6,985,017. Although the Organization does not currently spend from its board restricted endowment funds and donor-restricted endowment funds other than amounts appropriated for capital expenditures as part of its annual budget approval and appropriation process, amounts could be made available if necessary.

Note 13 - Risk and Uncertainty

The Organization's continuing operations have been affected by the recent and ongoing outbreak of the coronavirus ("COVID-19") which was declared a pandemic by the World Health Organization in March 2020. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and the actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographic location in which the Organization operates. The Organization's operations were impacted and temporary closures along with remote activities were experienced through the end of the fiscal year ended August 31, 2020. As a result, the Organization's enrollment declined and operating expenses were also impacted.

In order to meet financial needs, the Organization has committed three lines of credits totaling $5,000,000, of which $1,422,989 is currently available which it could draw upon (see Note 6). Additionally, the Organization was granted a loan from the Paycheck Protection Program of $1,511,500 to also cover costs (see Note 8).