EASTERN CHRISTIAN SCHOOL ASSOCIATION
AND AFFILIATES
Combined Financial Statements
August 31, 2023 and 2022
With Independent Auditor's Reports

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ADVISORY TAX AUDIT

Eastern Christian School Association and Affiliates
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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, 2023 and 2022, and the related combined statements of activities, 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, 2023 and 2022, 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 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.

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.

Emphasis of a Matter

As described in Note 1, the Organization adopted Accounting Standards Codification ("ASC") 842 *Leases* as of September 1, 2022. Prior-period amounts have not been adjusted and continue to be reported in accordance with the Organization's historic accounting under ASC 840.

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 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.

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Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combing statements of financial position as of August 31, 2023 and 2022 and combining statements 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 March 27, 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.

WithumSmith+Brown, PC

March 27, 2025

Eastern Christian School Association and Affiliates
Combined Statements of Financial Position
August 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents (including board designated cash of $24,425 and $82,708 at August 31, 2023 and 2022, respectively)	$ 1,438,950	$ 2,133,300
Tuition receivables, net	123,662	90,011
Notes receivable, net	11,098	5,064
Unconditional promises to give	-	188,300
Grants receivable	86,577	263,823
Investments (including board designated investments of $6,864,095 and $6,659,250 at August 31, 2023 and 2022, respectively)	6,975,220	6,764,209
Other current assets	79,330	148,360
Total current assets	8,714,837	9,593,067
Property and equipment, net	8,859,042	5,364,662
Right-of-use assets, net	250,542	-
Restricted cash	91,560	1,414,001
Notes receivable, net of current portion	31,958	35,425
Investments - permanent endowment	1,338,480	1,050,974
Other non-current assets	365,000	349,000
	1,826,998	2,849,400
Total assets	$ 19,651,419	$ 17,807,129
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 621,115	$ 172,760
Accrued expenses	724,062	672,565
Notes payable, current portion	113,926	279,685
Deferred income	2,963,944	2,817,137
Lease liabilities - operating, current portion	121,291	-
Total current liabilities	4,544,338	3,942,147
Long-term liabilities		
Notes payable, net of current portion and debt discount	4,664,676	4,775,855
Lease liabilities - operating, net of current portion	129,397	-
Total liabilities	9,338,411	8,718,002
Net assets		
Without donor restrictions		
Undesignated	1,572,867	(463,786)
Designated by the Board	6,898,905	6,746,123
Total net assets without donor restrictions	8,471,772	6,282,337
With donor restrictions		
Endowment	1,729,977	1,087,976
Purpose restricted funds	111,259	1,718,814
Total net assets with donor restrictions	1,841,236	2,806,790
Total net assets	10,313,008	9,089,127
Total liabilities and net assets	$ 19,651,419	$ 17,807,129

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Tuition and fees, net	$ 10,632,077	$ -	$ 10,632,077
Grants revenue	-	112,538	112,538
Other revenue	380,869	-	380,869
Rental revenue	268,285	-	268,285
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
Contributions	1,139,488	1,235,659	2,375,147
Contributions of nonfinancial assets	23,215	-	23,215
Net assets released from restrictions	2,456,790	(2,456,790)	-
	16,542,719	(1,108,593)	15,434,126
Expenses			
Program services	10,615,843	-	10,615,843
Supporting services	2,932,450	-	2,932,450
Fundraising	1,322,540	-	1,322,540
	14,870,833	-	14,870,833
Changes in net assets from operations	1,671,886	(1,108,593)	563,293
Other income (expenses)			
Investment income	144,546	31,582	176,128
Net unrealized (loss) gain on investments	(93,289)	81,302	(11,987)
Realized gain on sale of investments	466,292	30,155	496,447
	517,549	143,039	660,588
Changes in net assets	2,189,435	(965,554)	1,223,881
Net assets			
Beginning of year	6,282,337	2,806,790	9,089,127
End of year	$ 8,471,772	$ 1,841,236	$ 10,313,008

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

Eastern Christian School Association and Affiliates
Combined Statement of Activities
Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Tuition and fees, net	$ 9,561,780	$ -	$ 9,561,780
Grant revenue	-	263,823	263,823
Other revenue	311,219	-	311,219
Rental revenue	273,824	-	273,824
Eagle Solar revenue	177,309	-	177,309
Eagle Camp revenue	256,482	-	256,482
Ditto thrift store revenue	853,689	-	853,689
Contributions	1,418,803	637,103	2,055,906
Net assets released from restrictions	497,642	(497,642)	-
Total revenues	13,350,748	403,284	13,754,032
Expenses			
Program services	9,255,383	-	9,255,383
Supporting services	2,704,500	-	2,704,500
Fundraising	1,400,122	-	1,400,122
	13,360,005	-	13,360,005
Changes in net assets from operations	(9,257)	403,284	394,027
Other income (expenses)			
Investment income	132,159	28,884	161,043
Net unrealized loss on investments	(1,359,431)	(327,054)	(1,686,485)
Realized gain on sale of investments	150,446	73,133	223,579
	(1,076,826)	(225,037)	(1,301,863)
Changes in net assets	(1,086,083)	178,247	(907,836)
Net assets			
Beginning of year	7,368,420	2,628,543	9,996,963
End of year	$ 6,282,337	$ 2,806,790	$ 9,089,127

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

	Program Services	Supporting Services	Fundraising	Total
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 income	-	(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
Total functional expenses	$ 10,615,843	$ 2,932,450	$ 1,322,540	$ 14,870,833

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, 2022

	Program Services	Supporting Services	Fundraising	Total
Compensation and related expenses	$ 7,446,107	$ 1,460,606	$ 558,203	$ 9,464,916
Association expenses	88,619	588,163	-	676,782
Repairs and maintenance	703,484	125,126	-	828,610
Transportation expense	49,661	-	-	49,661
Educational supplies	421,266	157,597	102,954	681,817
Depreciation	437,917	-	28,308	466,225
Development expenses	-	-	309,127	309,127
Food service expenses	10,847	-	-	10,847
Insurance	-	130,139	-	130,139
Interest	-	186,268	-	186,268
Occupancy expenses	-	-	96,852	96,852
Other expenses	-	35,120	-	35,120
Provision for uncollectible tuition	23,616	-	-	23,616
Provision for uncollectible unconditional promises to give	-	-	139,966	139,966
Scholarships/trust distributions	52,100	-	-	52,100
Eagle Solar expenses	-	21,481	-	21,481
Eagle Camp expenses	21,766	-	-	21,766
Other Ditto thrift store expenses	-	-	164,712	164,712
	$ 9,255,383	$ 2,704,500	$ 1,400,122	$ 13,360,005

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, 2023 and 2022

	2023	2022
Operating activities		
Changes in net assets	$ 1,223,881	$ (907,836)
Adjustments to reconcile changes in net assets		
to net cash provided by operating activities		
Depreciation	449,872	466,225
Amortization of right-of-use assets - operating	113,924	-
Provision for uncollectible tuition	19,574	23,616
Provision for uncollectible unconditional promises to give	800	139,966
Net unrealized losses on investments	11,987	1,686,485
Realized gains on sale of investments	(496,447)	(223,579)
Interest expense attributable to amortization of debt issuance costs	2,061	1,546
Deferred tax expense (benefit)	(16,000)	31,000
Change in operating assets and liabilities		
Tuition receivables	(53,225)	(7,108)
Notes receivable	(2,567)	(13,669)
Unconditional promises to give	187,500	(2,450)
Grants receivable	177,246	(263,823)
Other current assets	69,030	132,296
Deferred income	146,807	204,559
Accounts payable	448,355	(122,847)
Accrued expenses	51,497	(189,601)
Lease liability - operating	(113,778)	-
Net cash provided by operating activities	2,220,517	954,780
Investing activities		
Proceeds from endowment assets, net of appropriations	(14,057)	(578,179)
Acquisition of property and equipment	(3,944,252)	(567,636)
Net cash used in investing activities	(3,958,309)	(1,145,815)
Financing activities		
Proceeds from notes payable	-	537,341
Repayment of notes payable	(278,999)	(224,358)
Acquisition of debt issuance costs	-	(20,607)
Net cash provided by (used in) financing activities	(278,999)	292,376
Net change in cash, cash equivalents and restricted cash	(2,016,791)	101,341
Cash, cash equivalents and restricted cash		
Beginning of year	3,547,301	3,445,960
End of year	$ 1,530,510	$ 3,547,301
Cash and restricted cash as reported within the combined statements of financial position		
Cash and cash equivalents	$ 1,438,950	$ 2,133,300
Restricted cash	91,560	1,414,001
Total cash and restricted cash	$ 1,530,510	$ 3,547,301

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

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.

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.

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. Tuition receivables are stated at unpaid balances, net of allowance for doubtful accounts. The school provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of students' parents or guardians to meet their obligations. Accounts are written off when they are deemed to be uncollectible. The reserve for doubtful accounts against tuition receivable was $292,512 and $233,310 for the years ended August 31, 2023 and 2022, respectively.

In order to secure payment on balances owed, the School 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 $43,056 and $40,489 for the years ended August 31, 2023 and 2022, respectively.

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, 2023 and 2022, the allowance for doubtful pledges was approximately $-0- and $70,000, 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.

Tuition receivables, net, were $123,662 and $90,011 as of August 31, 2023 and 2022, respectively. Tuition receivables, net, were $106,519 as of August 31, 2021.

Notes receivable, net, were $43,056 and $40,489 as of August 31, 2023 and 2022, respectively. Notes receivable, net, were $26,820 as of August 31, 2021.

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 $2,852,704, $2,711,228, and $2,419,031 as of August 31, 2023, 2022, and 2021, 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, 2023 and 2022, 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, 2023 and 2022, grants receivable totaling $86,577 and $263,823, respectively, were recorded on the combined statements of financial position. The funds recorded as a receivable as of August 31, 2023 and 2022 were received beginning February 2024 through June 2024 and January 2023, respectively (Note 19).

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.

Grants receivable were $86,577 and $263,823 as of August 31, 2023 and 2022, respectively. Grants receivable were $-0- as of August 31, 2021.

Other Revenue
Other revenue includes revenue received from rental income, Eagle Solar, Eagle Camp, Ditto and other income. Other revenue 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 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 uncollectible tuition, the allowance for uncollectible unconditional promises to give, 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. 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, 2023, there were no concentrations of unconditional promises to give. At August 31, 2022, approximately 80% of ECSA's gross unconditional promises to give was from one donor.

Restricted and Board Designated Cash

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

	2023	2022
Board designated		
Quasi-endowment	$ 24,425	$ 82,708
Donor restricted		
Construction projects	$ 134	$ 1,414,001
Scholarships	91,426	-
	$ 91,560	$ 1,414,001

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 have been set aside for the following:

	2023	2022
Board designated		
Quasi-endowment	$ 6,864,095	$ 6,659,250
Donor restricted		
Equipment	$ 26,972	$ 25,999
Scholarships	1,422,633	1,129,934
	$ 1,449,605	$ 1,155,933

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.

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

Description	Estimated Life (Years)
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, 2023 and 2022.

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 of fair value less costs to sell. There were no impairment charges recorded during the years ended August 31, 2023 and 2022.

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.

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, 2023 and 2022, 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.

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. During the year ended August 31, 2022, no donated materials were received.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended August 31, 2023 and 2022 amounted to approximately $81,700 and $83,600, 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.

Leases

The Organization categorizes leases with contractual terms longer than 12 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 12 months or less are not recorded on the combined statements of financial position.

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on the rate implicit in the lease. 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. Finance lease assets are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The interest component of a finance lease is included in interest expense and recognized using the effective interest method over the lease term.

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, 2023 and 2022.

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 $1,362,000 and $1,079,000 for federal and state income tax purposes, respectively, as of August 31, 2023, 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, 2023 and 2022, it does not have any uncertain tax positions required to be reported.

Reclassifications
Certain reclassifications have been made to the accompanying 2022 combined financial statements to conform with the 2023 presentation relating to functional expense classification. These reclassifications had no effect on the changes in net assets and the net assets of the Organization.

Accounting Pronouncement Adopted in the Current Year
Lease Transactions
On September 1, 2022, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases*, using the retrospective approach. Comparative periods were not adjusted upon adoption, as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs.

Upon adoption, the Organization recognized $284,357 right of use assets. Corresponding operating lease liabilities of $284,357 were also recognized. There was no cumulative effect of applying the new standard, and accordingly, there was no adjustment to net assets upon adoption.

Accounting Pronouncement Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326)*: Measurement of Credit Losses on Financial Instruments*. Topic 326 amends the accounting for credit losses on financial instruments. This methodology replaces the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, tuition receivables, net investment in leases, off balance sheet credit exposure and other financial instruments recorded at amortized costs. The Organization does not expect the adoption of the new standard to have a significant impact on the 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:

	2023	2022
Cash and cash equivalents	$ 1,438,950	$ 2,133,300
Tuition receivables, net	123,662	90,011
Grants receivable	86,577	263,823
Appropriation from quasi-endowment	450,000	450,000
Financial assets available to meet cash needs for general expenditures within one year	$ 2,099,189	$ 2,937,134

For the year ended August 31, 2023, the Organization has $2,099,189 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.

For the year ended August 31, 2022, the Organization has $2,937,134 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 $2,119,000. With Board approval, $6,659,250 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.

3. PROMISES TO GIVE

Unconditional Promises to Give

Unconditional promises to give at August 31 are as follows:

	2023	2022
Unconditional promises to give	$ -	$ 258,288
Less: Allowance for uncollectible pledges	-	69,988
Unconditional promises to give - net	$ -	$ 188,300

As of August 31, 2023, there were no unconditional promises to give. As of August 31, 2022, unconditional promises to give represent contributions with donor restrictions in the amount of a net receivable of $188,300.

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 were as follows:

	2023	
	Cost	Fair Value
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
	$ 6,620,713	$ 6,975,220
Investments - Permanent endowments		
Equities - Barnabas Foundation	$ 1,119,078	$ 1,338,480

	2022	
	Cost	Fair Value
Investments		
Equities	$ 3,142,567	$ 3,931,391
Fixed income	3,059,180	2,832,818
	$ 6,201,747	$ 6,764,209
Investments - Permanent endowments		
Equities - Barnabas Foundation	$ 1,029,821	$ 1,050,974

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.

Fixed income and equities - fixed income and equities are valued at quoted market prices which represent the net asset value of shares held by the Organization at year-end.

Exchange-traded products, mutual funds and preferred stocks – valued at the daily closing price as reported by the fund. Mutual funds held by the Plan 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 net 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, 2023 and 2022, there were additions to unconditional promises to give in the amount of approximately $-0- and $136,000, respectively.

The following tables set forth by level within the fair value hierarchy, the Organization's assets which have been accounted for at fair value on a recurring basis as of August 31:

	August 31, 2023			
	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	-	-
	$ 8,313,700	$ 8,313,700	$ -	$ -

	August 31, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments				
Fixed income	$ 2,832,816	$ 2,832,816	$ -	$ -
Equities	3,931,393	3,931,393	-	-
Equities - Barnabas foundation	1,050,974	1,050,974	-	-
	$ 7,815,183	$ 7,815,183	$ -	$ -

Unconditional promises to give are not included in the fair value leveling table above because carrying value approximates fair value due to their short-term maturities.

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 preexisting 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.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of August 31:

	2023	2022
Land	$ 182,000	$ 182,000
Buildings and improvements	12,749,488	12,269,181
Vehicles and buses	682,205	682,205
Furniture and fixtures	1,064,222	719,815
Fixed assets - Eagle Solar, LLC	2,969,010	2,969,010
Fixed assets - Ditto of North Jersey, LLC	643,825	637,716
Construction in progress	3,535,199	421,770
	21,825,949	17,881,697
Less: Accumulated depreciation	12,966,907	12,517,035
Property and equipment, net	$ 8,859,042	$ 5,364,662

Total depreciation expense amounted to $449,872 and $466,225 for the years ended August 31, 2023 and 2022, respectively.

7. OTHER ASSETS

Other assets consist of the following as of August 31:

	2023	2022
Other current assets		
Prepaid expenses	$ 48,760	$ 21,181
TRIP cards on hand	12,900	13,469
Eagle Solar SREC on account	5,974	40,676
Ditto inventory	2,093	2,093
Other receivables	9,603	70,941
Total other current assets	$ 79,330	$ 148,360
Other non-current assets		
Gross deferred tax asset	$ 365,000	$ 349,000

8. BANK LINE OF CREDIT

ECSA renewed a line of credit with Columbia Bank (“Columbia”) which was set to expire on May 15, 2024 (see Note 13). 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%, but not to exceed 5.50%. As of August 31, 2023 and 2022, there was no outstanding balance on the line of credit.

9. NOTES PAYABLE

Notes payable consist of the following as of August 31:

	2023	2022
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.	$ 4,195,602	$ 4,304,601
Private notes to various personal investors including related party members of ECSA management and the board of directors, with interest only payments at 3.50%, various maturities through August 2023. See Notes 17 and 18.	-	170,000
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 17.	600,000	600,000
	4,795,602	5,074,601
Less: Unamortized debt issuance costs	17,000	19,061
	4,778,602	5,055,540
Less: Current portion	113,926	279,685
	$ 4,664,676	$ 4,775,855

Amortization on the debt issuance costs amounted to $2,061 and $1,546 for the years ended August 31, 2023 and 2022, respectively, and is included within interest expense on the combined statements of functional expenses.

Future maturities of this debt are as follows:

2024	$ 113,926
2025	118,333
2026	122,908
2027	127,661
2028	132,597
Thereafter	4,180,177
	$ 4,795,602

10. ENDOWMENTS AND BOARD DESIGNATED NET ASSETS

The Organization’s endowment at August 31, 2023 and 2022 includes both donor-restricted funds and funds designated by the Board to function as endowments to support ECSA. As required by accounting principles generally accepted in the United States of America, 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.

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 are as follows:

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
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)
	$ 6,898,905	$ 1,729,977	$ 8,628,882

	2022		
	Board Designated		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board-designated funds			
Quasi-endowment	$ 6,746,123	$ -	$ 6,746,123
Donor-restricted endowment funds			
Scholarship Endowment			
Original donor-restricted gift amounts and gift amounts required by donor to be maintained in perpetuity	-	1,562,046	1,562,046
Accumulated investment earnings	-	177,027	177,027
Loan to ECSA for operations	-	(651,097)	(651,097)
	$ 6,746,123	$ 1,087,976	$ 7,834,099

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, are as follows:

	2023		
	Quasi Endowment	Endowment	
	Without Donor Restrictions	With Donor Restrictions	Total
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 gain on investments	373,003	105,250	478,253
Amounts appropriated for expenditure			
Operations	(450,000)	(41,050)	(491,050)
Repayments 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	$ 6,898,905	$ 1,729,977	$ 8,628,882

	2022		
	Quasi Endowment		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, August 31, 2021	$ 7,814,795	$ 1,132,387	$ 8,947,182
Contributions	39,568	197,610	237,178
Investment return			
Investment income	127,074	28,884	155,958
Net loss on investments	(1,200,001)	(207,314)	(1,407,315)
Transfer out of the endowment fund	-	(25,999)	(25,999)
Amounts appropriated for expenditure			
Operations	(450,000)	(52,100)	(502,100)
Repayments (loans) to undesignated net assets			
ECSA	374,664	14,508	389,172
Eagle Solar	25,143	-	25,143
Ditto	14,880	-	14,880
Endowment net assets, August 31, 2022	$ 6,746,123	$ 1,087,976	$ 7,834,099

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, 2023 and 2022, are $312,204 and $358,490, respectively. Total appropriations outstanding and to be returned to the donor-restricted endowment as of August 31, 2023 and 2022, are $936,574 and $730,557, 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 $448,719 and $465,701 as of August 31, 2023 and 2022, 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.

11. NET ASSETS WITH DONOR RESTRICTIONS

Components of net assets with donor restrictions consist of the following at August 31:

	2023	2022
Subject to expenditure for a specific purpose		
Capital projects	$ 134	$ 1,613,855
Equipment	26,972	25,999
Scholarships	84,153	78,960
	111,259	1,718,814
Endowments		
Subject to endowment spending policy and appropriation		
Scholarships and financial aid	1,729,977	1,087,976
Total net assets with donor restrictions	$ 1,841,236	$ 2,806,790

12. BOARD DESIGNATED NET ASSETS

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

Quasi-endowment fund (a)	$ 6,898,905	$ 6,746,123

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

13. 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 and $294,496 for the years ended August 31, 2023 and 2022, respectively. 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 $124,533 and $125,700 for the years ended August 31, 2023 and 2022, respectively.

14. 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:

	2023	2022
Deferred	$ (16,000)	$ 31,000

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

	2023	2022
Deferred income tax assets	$ 365,000	349,000
Valuation allowance	-	-
Net deferred income tax asset	$ 365,000	$ 349,000

The actual tax expense for the years ended August 31, 2023 and 2022, 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.

15. 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 February 2028.

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

2024	$ 127,894
2025	90,096
2026	17,457
2027	17,457
2028	8,728
Future minimum lease payments	261,632
Less: Imputed interest - operating leases	10,944
Present value of minimum lease payments	250,688
Less: Current portion	121,291
Lease liabilities - operating at August 31, 2023	$ 129,397

Total lease expense 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, 2023:

Cash paid for amounts included in the measurement	
of lease liabilities	
Operating cash flows from operating leases	$ 123,232
Weighted-average remaining lease term - operating leases	2.02 years
Weighted-average discount rate - operating leases	3.52%

As required under the new lease standard and as of August 31, 2022, as previously reported, future minimum rental payments required under the operating leases having lease terms in excess of one year were approximately as follows for the next three years:

2023	$ 119,600
2024	114,000
2025	72,600
	$ 306,200

Total lease expense was approximately $163,800 for the year ended August 31, 2022.

16. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

	2023	2022
Interest	$ 237,115	$ 186,268
Taxes	$ 750	$ 664

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

	2023	2022
Right-of-use assets acquired in exchange for new operating leases	$ 80,109	$ -
Payoff of bank lines of credit through refinancing of a new note payable	$ -	$ 2,804,984
Payoff of notes payable through refinancing of a new note payable	$ -	$ 993,741

17. RELATED PARTY TRANSACTIONS

The School periodically engages with a construction company for various projects that is owned by the nephew of a member of management through August 31, 2022. During the year ended August 31, 2022, the School made payments to the construction company in the amounts approximating $22,500.

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.

18. FUNCTIONAL EXPENSES

The combined financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The expenses are allocated based on the department that incurred the expense.

19. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the combined statement of financial position date through the date of March 27, 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 2024 through June 2024, ECSA received grant payments totaling $86,577 (Note 1).

On February 22, 2024, ECSA entered into a note agreement with Columbia for the purpose of constructing a new Turf Field on the Wyckoff campus. The note requires ECSA to deposit $65,000 into a non-interest bearing account for interest payments. 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. 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, and the assignment of leases and rents to the lender on this property in Bergen County. ECSA is required to meet certain financial and nonfinancial covenants. A waiver was received.

Effective June 12, 2024, ECSA entered into a revolving line of credit agreement with Columbia which is set to expire on June 1, 2025, 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 Baldin 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%. ECSA is required to meet certain financial and nonfinancial covenants. A waiver was received.

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 15).

SUPPLEMENTARY INFORMATION

Eastern Christian School Association and Affiliates
Combining Statement of Financial Position
August 31, 2023

	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 receivable, net	123,662	-	-	-	123,662	-	123,662
Notes receivable	11,098	-	-	-	11,098	-	11,098
Grants 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	8,840,313	42,367	105,239	81,981	9,069,900	(355,063)	8,714,837
Property and equipment, net	8,787,111	-	71,931	-	8,859,042	-	8,859,042
Right-of-use assets, net	85,945	-	164,597	-	250,542	-	250,542
Restricted cash	91,560	-	-	-	91,560	-	91,560
Notes receivable, net of current portion, net	31,958				31,958	-	31,958
Investments - permanent endowment	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
	1,737,077	365,000	-	-	2,102,077	(275,079)	1,826,998
	$ 19,450,446	$ 407,367	$ 341,767	$ 81,981	$ 20,281,561	$ (630,142)	$ 19,651,419
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	4,323,082	132,288	332,791	111,240	4,899,401	(355,063)	4,544,338
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	4,722,283	1,338,413	71,790	-	6,132,486	(1,338,413)	4,794,073
Net assets							
Without donor restrictions							
Undesignated	1,664,940	(1,063,334)	(62,814)	(29,259)	509,533	1,063,334	1,572,867
Designated by the Board	6,898,905	-	-	-	6,898,905	-	6,898,905
Total net assets without donor restrictions	8,563,845	(1,063,334)	(62,814)	(29,259)	7,408,438	1,063,334	8,471,772
With donor restrictions							
Endowment	1,729,977	-	-	-	1,729,977	-	1,729,977
Purpose restricted funds	111,259	-	-	-	111,259	-	111,259
Total net assets without donor restrictions	1,841,236	-	-	-	1,841,236	-	1,841,236
Total net assets	10,405,081	(1,063,334)	(62,814)	(29,259)	9,249,674	1,063,334	10,313,008
Total liabilities and net assets	$ 19,450,446	$ 407,367	$ 341,767	$ 81,981	$ 20,281,561	$ (630,142)	$ 19,651,419

See Independent Auditor’s Report.

Eastern Christian School Association and Affiliates
Combining Statement of Financial Position
August 31, 2022

	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 $82,708)	$ 1,885,042	$ 95,874	$ 79,896	$ 72,488	$ 2,133,300	$ -	$ 2,133,300
Tuition receivables, net	90,011	-	-	-	90,011	-	90,011
Notes receivable	5,064	-	-	-	5,064	-	5,064
Unconditional promises to give	188,300	-	-	-	188,300	-	188,300
Grant receivable	263,823	-	-	-	263,823	-	263,823
Investments (including board designated investments of $6,659,250)	6,764,209	-	-	-	6,764,209	-	6,764,209
Due from affiliate - note receivable, current portion	36,316	-	-	-	36,316	(36,316)	-
Due from affiliate	276,701	-	-	-	276,701	(276,701)	-
Other current assets	85,037	40,676	9,178	13,469	148,360	-	148,360
Total current assets	9,594,503	136,550	89,074	85,957	9,906,084	(313,017)	9,593,067
Property and equipment, net	5,251,009	-	113,653	-	5,364,662	-	5,364,662
Restricted cash	1,414,001	-	-	-	1,414,001	-	1,414,001
Notes receivable, net of current portion, net	35,425	-	-	-	35,425	-	35,425
Investments - permanent endowments	1,050,974	-	-	-	1,050,974	-	1,050,974
Investment in Eagle Solar LLC	(1,014,862)	-	-	-	(1,014,862)	1,014,862	-
Due from affiliate - note receivable, net of current portion	1,375,111	-	-	-	1,375,111	(1,375,111)	-
Other non-current assets	-	349,000	-	-	349,000	-	349,000
	2,860,649	349,000	-	-	3,209,649	(360,249)	2,849,400
	$ 17,706,161	$ 485,550	$ 202,727	$ 85,957	$ 18,480,395	$ (673,266)	$ 17,807,129
Liabilities and Net Assets							
Current liabilities							
Accounts payable	$ 143,183	$ 6,245	$ 23,332	$ -	$ 172,760	$ -	$ 172,760
Accrued expenses	672,208	-	357	-	672,565	-	672,565
Due to affiliate - note payable, current portion	-	36,316	-	-	36,316	(36,316)	-
Due to affiliate	-	113,740	162,961	-	276,701	(276,701)	-
Notes payable, current portion	279,685	-	-	-	279,685	-	279,685
Deferred income	2,711,228	-	-	105,909	2,817,137	-	2,817,137
Total current liabilities	3,806,304	156,301	186,650	105,909	4,255,164	(313,017)	3,942,147
Long-term liabilities							
Due to affiliate - note payable, net of current portion	-	1,375,111	-	-	1,375,111	(1,375,111)	-
Notes payable, net of current portion and debt discount	4,775,855	-	-	-	4,775,855	-	4,775,855
Total long-term liabilities	4,775,855	1,375,111	-	-	6,150,966	(1,375,111)	4,775,855
Net assets							
Without donor restrictions							
Undesignated	(428,911)	(1,045,862)	16,077	(19,952)	(1,478,648)	1,014,862	(463,786)
Designated by the Board	6,746,123	-	-	-	6,746,123	-	6,746,123
Total net assets without donor restrictions	6,317,212	(1,045,862)	16,077	(19,952)	5,267,475	1,014,862	6,282,337
With donor restrictions							
Endowment	1,087,976	-	-	-	1,087,976	-	1,087,976
Purpose restricted funds	1,718,814	-	-	-	1,718,814	-	1,718,814
Total net assets without donor restrictions	2,806,790	-	-	-	2,806,790	-	2,806,790
Total net assets	9,124,002	(1,045,862)	16,077	(19,952)	8,074,265	1,014,862	9,089,127
Total liabilities and net assets	$ 17,706,161	$ 485,550	$ 202,727	$ 85,957	$ 18,480,395	$ (673,266)	$ 17,807,129

See Independent Auditor's Report.

Eastern Christian School Association and Affiliates
Combining Statement of Activities
Year Ended August 31, 2023

	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	$ 10,632,077	$ -	$ -	$ -	$ 10,632,077	$ -	$ 10,632,077
Grant revenue	112,538	-	-	-	112,538	-	112,538
Other revenue	323,687	-	-	57,182	380,869	-	380,869
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
Contributions	-	-	260	2,374,887	2,375,147	-	2,375,147
Contributions of nonfinancial assets	-	-	-	23,215	23,215	-	23,215
	11,908,060	141,917	932,465	2,455,284	15,437,726	(3,600)	15,434,126
Operating 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 (income)	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
	13,553,764	59,389	703,356	622,839	14,939,348	(68,515)	14,870,833
Changes in net assets from operations	(1,645,704)	82,528	229,109	1,832,445	498,378	64,915	563,293
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)	-
	2,201,280	-	(308,000)	(1,841,752)	51,528	(51,528)	-
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
	725,503	-	-	-	725,503	64,915	660,588
Changes in net assets	$ 1,281,079	$ 82,528	$ (78,891)	$ (9,307)	$ 1,275,409	$ 78,302	$ 1,223,881

See Independent Auditor's Report.

Eastern Christian School Association and Affiliates
Combining Statement of Activities
Year Ended August 31, 2022

	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	$ 9,561,780	$ -	$ -	$ -	$ 9,561,780	$ -	$ 9,561,780
Grant revenue	263,823	-	-	-	263,823	-	263,823
Other revenue	252,084	-	-	59,135	311,219	-	311,219
Rental revenue	273,824	-	-	-	273,824	-	273,824
Eagle Solar revenue	-	177,309	-	-	177,309	-	177,309
Eagle Camp revenue	256,482	-	-	-	256,482	-	256,482
Ditto thrift store revenue	-	-	853,689	-	853,689	-	853,689
Contributions	-	-	704	2,055,202	2,055,906	-	2,055,906
	10,607,993	177,309	854,393	2,114,337	13,754,032	-	13,754,032
Expenses							
Compensation and related expenses	8,906,713	-	242,910	315,293	9,464,916	-	9,464,916
Association expenses	676,782	-	-	-	676,782	-	676,782
Repairs and maintenance	828,610	-	-	-	828,610	-	828,610
Transportation expenses	49,661	-	-	-	49,661	-	49,661
Educational supplies	681,817	-	-	-	681,817	-	681,817
Depreciation	437,916	-	28,309	-	466,225	-	466,225
Development expenses	-	-	-	309,127	309,127	-	309,127
Food service expenses	10,847	-	-	-	10,847	-	10,847
Insurance	130,139	-	-	-	130,139	-	130,139
Interest	173,191	45,828	7,980	-	226,999	(40,731)	186,268
Occupancy expenses	-	-	96,852	-	96,852	-	96,852
Other expenses	4,120	31,000	-	-	35,120	-	35,120
Provision for uncollectible tuition	23,616	-	-	-	23,616	-	23,616
Provision for uncollectible unconditional promises to give	139,966	-	-	-	139,966	-	139,966
Scholarships/trust disbursements	52,100	-	-	-	52,100	-	52,100
Eagle Solar expenses	-	21,481	-	-	21,481	-	21,481
Eagle Camp expenses	21,766	-	-	-	21,766	-	21,766
Other Ditto thrift store expenses	-	-	164,712	-	164,712	-	164,712
	12,137,244	98,309	540,763	624,420	13,400,736	(40,731)	13,360,005
Changes in net assets from operations	(1,529,251)	79,000	313,630	1,489,917	353,296	40,731	394,027
Net assets transferred							
Assets transferred to/(from) affiliate	1,729,917	-	(240,000)	(1,489,917)	-	-	-
Equity in earnings on investment in Eagle Solar, LLC	110,000	-	-	-	110,000	(110,000)	-
	1,839,917	-	(240,000)	(1,489,917)	110,000	(110,000)	-
Association endowment							
Investment income	201,774	-	-	-	201,774	40,731	161,043
Net unrealized loss on investments	(1,686,485)	-	-	-	(1,686,485)	-	(1,686,485)
Realized gain on sale of investments	223,579	-	-	-	223,579	-	223,579
	(1,261,132)	-	-	-	(1,261,132)	40,731	(1,301,863)
Changes in net assets	$ (950,466)	$ 79,000	$ 73,630	$ -	$ (797,836)	$ (28,538)	$ (907,836)

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, 2023, 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 March 27, 20X5.

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 2023-001, 2023-002, 2023-003 and 2023-004 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 items 2023-005 and 2023-006 to be significant deficiencies.

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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.*

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.

Withum Smith+Brown, PC

March 27, 2025

Finding Number: 2023-001 – 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, 2023, there were several audit areas where reconciliation processes were not followed. These areas included the following: 1) although improved from the prior year, assets that should have been capitalized were expensed to various expense accounts, including repairs and maintenance, security, restricted expenses and other, throughout the year; 2) the fixed asset schedule is not reconciled to the general ledger for each respective trial balance at year-end; 3) depreciation expense is a material amount, which is recorded on an annual basis versus consistently throughout the year 4) intercompany transactions were not reconciled or recorded correctly between affiliates, which resulted in balances not eliminating in combination; 5) 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; 6) accounts receivable and deferred revenue accounts were not reconciled to supporting schedules at year-end, resulting in material journal entries to establish proper reporting of account balances at year-end; and 7) although the investment reconciliation is prepared to capture a roll forward of year-to-date activity, this activity is not recorded to the respective accounts within the general ledger, resulting in improper balances on the corresponding trial balance(s).

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, 2023. 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.

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: 2023-002 – 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.

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.

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 – 2023-003 – Improper Cutoff of Grant Revenue

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.

Condition: In June 2018, the FASB issued ASU-2018-08, *Clarification and Improvement to the Scope and the Accounting Guidance for Contributions Received and Made*. This ASU was effective for annual periods beginning after December 15, 2018. The Organization did not properly follow the recognition of conditional contributions as required by ASU 2018-08 and grant income was not properly recorded at the time the conditions were met.

Cause: The Organization received a new grant and was not aware of the requirements related to conditional contributions and related recognition.

Effect: This resulted in an audit entry resulting from improper recognition of grant income and the related cutoff.

Recommendation: We recommend that management monitor accounting pronouncements to determine the impact on the combined financial statements and implement processes and controls to properly identify and record these transactions.

View of Responsible Officials and Planned Corrective Action: There is no disagreement with this finding. Additional focus and testing is now being placed on the type of grant awarded and the accompanying requirements as to the timing of the recognition of the award, as well as the receipt of the proceeds.

Finding Number – 2023-004 **–** Contributions of Nonfinancial Assets

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.

Condition: ASC 958-605 *Not-for-Profit Entities: Revenue Recognition* requires contributions, including those of nonfinancial assets, to be recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Further, ASU 2020-07, issued in September 2020, *Not-for-Profit Entities* (Topic 958) *Clarification and Improvement to the Scope and the Accounting Guidance for Contributions Received and Made*, enhances presentation and disclosure requirements for the contributions of nonfinancial assets. The Organization did not properly follow the recognition of contributions of nonfinancial assets as required by ASC 958-605 and the contribution of nonfinancial assets was not recognized.

Effect: The Organization was in receipt of nonfinancial contributions during the year ended August 31, 2023, which were not recognized within the general ledger.

Cause: This resulted in an audit entry to record the contributions of nonfinancial assets and the related assets and expenses based on the form of the benefits received.

Recommendation: We recommend that management maintain proper recordkeeping over the contribution of nonfinancial assets to ensure that the revenue and related account classification relative to the form of benefits received are accurately recorded.

View of Responsible Officials and Planned Corrective Action: There is no disagreement with this finding. Management is putting in place policies and procedures to ensure that nonfinancial contributions will be fully and properly accounted for.

Finding Number: 2023-005 – Completion and Reconciliation of Net Asset Schedule

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: The net asset schedule was not updated throughout the year and, therefore, did not reconcile to the trial balance provided during the audit.

Cause: The Organization did not consistently update and reconcile the net asset schedule throughout the year in order to reconcile to the trial balance and ensure proper classification of net assets, additions and releases of net assets from restrictions.

Effect: Misclassification between with donor restrictions and without donor restrictions.

Recommendation: We recommend that management implement processes and controls to appropriately reconcile the net asset schedule to the trial balance at least quarterly, which should include all items impacting net assets with donor restrictions, including contributions and releases from restriction. This will ensure that all items with donor restrictions are properly accounted for and presented in the combined financial statements.

View of Responsible Officials and Planned Corrective Action: There is no disagreement with this finding. Management will reconcile the net asset schedule to the trial balance on a quarterly basis, including all items impacting net assets with donor restrictions, including contributions and releases from restrictions.

Finding Number: 2023-006 – 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.