

EL Education, Inc.

Audited Financial Statements

August 31, 2024

EL Education, Inc.

Audited Financial Statements

August 31, 2024

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Independent Auditor's Report

Board of Directors
EL Education, Inc.

Opinion

We have audited the financial statements of EL Education, Inc. (the "Organization"), which comprise the statement of financial position as of August 31, 2024, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of August 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 6, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sax CPAs LLP

New York, NY
December 19, 2024

EL Education, Inc.

Statement of Financial Position

As of August 31, 2024
(With Summarized Comparative Totals as of August 31, 2023)

	August 31,	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 11,617,425	\$ 14,621,796
Restricted cash	227	223
Investments - at fair value	3,365,081	3,065,351
Accounts receivable, net	4,664,624	13,181,021
Unconditional promises to give	397,000	3,210,048
Prepaid expenses and other assets	684,727	986,104
Property and equipment, net	151,138	227,104
TOTAL ASSETS	\$ 20,880,222	\$ 35,291,647
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,152,860	\$ 1,531,793
Accrued salary and related expenses	927,878	1,500,394
Deferred rent	2,174	2,242
Deferred revenue	1,995,416	2,891,216
Other current Liabilities	24,552	-
Loan payable- ERIF	1,500,000	-
TOTAL LIABILITIES	6,602,880	5,925,645
NET ASSETS		
Without donor restrictions		
Operating	\$ 9,245,397	\$ 22,354,356
Board-designated	1,000,000	859,437
With donor restrictions	4,031,945	6,152,209
Total net assets	14,277,342	29,366,002
TOTAL LIABILITIES AND NET ASSETS	\$ 20,880,222	\$ 35,291,647

The accompanying notes and auditor's report are an integral part of these financial statements.

EL Education, Inc.

Statement of Activities

For the Year Ended August 31, 2024
(With Summarized Comparative Totals for the Year Ended August 31, 2023)

	2024			
	Without Donor Restrictions	With Donor Restrictions	Total	2023
REVENUES, SUPPORT AND GAINS				
School, consulting and product revenue	\$ 25,947,809	\$ -	\$ 25,947,809	\$ 36,203,088
Contributions and grants	1,013,515	3,892,924	4,906,439	5,942,848
Other income	65,616	-	65,616	82,402
Investment gain	516,299	279,506	795,805	624,201
Net assets released from restrictions	6,292,694	(6,292,694)	-	-
Total revenues, support and gains	33,835,933	(2,120,264)	31,715,669	42,852,539
EXPENSES				
Program services	35,195,334	-	35,195,334	35,713,982
General management and administrative	10,087,547	-	10,087,547	8,398,837
Fundraising	1,521,448	-	1,521,448	1,660,036
Total expenses	46,804,329	-	46,804,329	45,772,855
Change in net assets	(12,968,396)	(2,120,264)	(15,088,660)	(2,920,316)
NET ASSETS, <i>beginning of year</i>	23,213,793	6,152,209	29,366,002	32,286,318
NET ASSETS, <i>end of year</i>	\$ 10,245,397	\$ 4,031,945	\$ 14,277,342	\$ 29,366,002

The accompanying notes and auditor's report are an integral part of these financial statements.

EL Education, Inc.

Statement of Functional Expenses

For the Year Ended August 31, 2024
(With Summarized Comparative Totals for the Year Ended August 31, 2023)

	2024					
	Supporting Services					
	Program Services	General Management and Administrative	Fundraising	Total	2023 Total	
Salaries	\$ 18,445,176	\$ 5,558,173	\$ 951,657	\$ 24,955,006	\$ 22,692,740	
Employee benefits and payroll taxes	3,875,521	1,370,113	241,213	5,486,847	5,002,658	
Consultants and service providers	7,817,007	2,326,458	166,263	10,309,728	11,133,969	
Books, professional development materials and copies	160,641	42,118	16,295	219,054	295,961	
Travel	2,470,498	295,197	48,803	2,814,498	3,352,349	
Conferences and meetings	1,325,717	55,713	40,424	1,421,854	1,427,316	
Rent and occupancy	323,551	97,497	16,693	437,741	380,912	
Miscellaneous	674,361	203,192	34,793	912,346	1,003,086	
Bad debt expense	-	108,090	-	108,090	335,077	
Depreciation and amortization	102,862	30,996	5,307	139,165	148,787	
Total expenses	\$ 35,195,334	\$ 10,087,547	\$ 1,521,448	\$ 46,804,329	\$ 45,772,855	

The accompanying notes and auditor's report are an integral part of these financial statements.

EL Education, Inc.

Statement of Cash Flows

For the Year Ended August 31, 2024
(With Summarized Comparative Totals for the Year Ended August 31, 2023)

	August 31,	
	2024	2023
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$ (15,088,660)	\$ (2,920,316)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation and amortization	139,165	148,787
Bad debt expense	108,090	335,077
Net realized/unrealized gains/losses	(341,492)	(153,927)
(Increase) decrease in assets		
Accounts receivable, net	8,408,307	(5,843,869)
Unconditional promises to give	2,813,048	457,500
Prepaid expenses and other assets	301,377	122,036
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	621,067	(67,358)
Accrued salary and related expenses	(572,516)	384,608
Deferred rent	(68)	781
Deferred revenue	(895,800)	1,354,753
Other current liabilities	24,552	-
Net cash flows used for operating activities	(4,482,930)	(6,181,928)
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Proceeds from sale of investments	128,665	(130,000)
Purchases of investments	(86,903)	126,032
Property and equipment acquisitions	(63,199)	(144,330)
Net cash flows used for investing activities	(21,437)	(148,298)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES		
Proceeds from long-term debt	1,500,000	-
Net cash flows provided by financing activities	1,500,000	-
Net decrease in cash, cash equivalents, and restricted cash	(3,004,367)	(6,330,226)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	14,622,019	20,952,245
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	\$ 11,617,652	\$ 14,622,019
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for interest	\$ 35,215	\$ -
Cash paid for income taxes	\$ -	\$ -

The accompanying notes and auditor's report are an integral part of these financial statements.

EL Education, Inc.

Notes to Financial Statements

August 31, 2024

Note 1 - Nature of Activities

EL Education, Inc. (the "Organization") partners with public schools and districts in diverse communities across the United States to improve student achievement; build student character; enhance teacher practices; and instill a positive school culture. The approach promotes rigorous and engaging curriculum; active, inquiry-based pedagogy; and a school culture that demands and teaches compassion and good citizenship.

The Organization is one of the nation's leading K-12 education organizations committed to creating classrooms where teachers can fulfill their highest aspirations and where students can achieve more than they think possible. The Organization has helped new and veteran teachers - in all types of school settings - strive for a vision of student success that joins academic achievement, character and high-quality work. The Organization's approach is grounded in respect for teachers and school leaders as creative agents in their classrooms. The Organization builds teachers' capacity to ignite each student's motivation, persistence and compassion so that they become active contributors to building a better world and succeed in school, college, career and life.

The Organization's model is characterized by:

- Active instructional and student-engaged assessment practices that build academic skills and students' ownership of their learning
- Rigorous academic projects connected to real-world issues that meet college and career-ready standards.
- A culture of learning that builds persistence, collaboration, critical thinking, problem solving, communication and independence in the students

The Organization is the creator of the acclaimed EL Education K-8 Language Arts Curriculum, a standards-based comprehensive literacy program.

The Organization offers a comprehensive suite of professional development, coaching and strategic planning, curriculum, publications and open educational resources. Together with its school and district partners, the Organization serves more than 500,000 students in more than 1,500 schools in 35 states annually.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

b. Basis of Presentation

Financial statement presentation follows the provisions included in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") for "Not-For-Profit Entities," which constitutes generally accepted accounting principles in the United States of America ("GAAP") for non-profit entities such as the Organization. GAAP requires the Organization to report information regarding its financial position and activities according to the following two classes of net assets:

EL Education, Inc.

Notes to Financial Statements

August 31, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

b. Basis of Presentation - Continued

Net assets without donor restrictions

Net assets available for general use and not subject to donor restrictions. Included in net assets without donor restrictions are board-designated funds, which include resources under the full control of the Board of Directors for use in achieving the purpose of the Organization.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. At August 31, 2024 and 2023, the Organization had \$4,031,945 and \$6,152,209 in net assets with donor restrictions, of which \$1,988,473 and \$1,708,967 remained in perpetuity, respectively.

c. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash accounts with various commercial banks. Restricted cash is held in brokerage accounts and is limited to investing towards the Organization's endowment fund.

d. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts as of August 31, 2024 and 2023 was \$385,932 and \$330,490, respectively.

e. Fair Value Measurement

The Organization applies Topic 820, Fair Value Measurement, of FASB ASC, which defines fair value, establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under Topic 820 of FASB ASC are described below:

EL Education, Inc.

Notes to Financial Statements

August 31, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

e. Fair Value Measurement - Continued

- Level 1 Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Organization has the ability to access at the measurement date;
- Level 2 Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and
- Level 3 Significant unobservable prices or inputs (including the Organization's own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

f. Revenue and Support Recognition

Revenue is reported as increases in net assets without restrictions unless their use is limited by donor-imposed restrictions as follows:

The Organization derives revenue primarily through school, consulting and product revenue. Under accounting standards, revenue measurement is driven via a principles-based process that requires the entities (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) performance obligations are satisfied.

School, consulting and product revenue consists of network school revenue, curriculum focused consulting revenue and product revenue. Network school revenue is recorded at established rates based on signed contracts. Such amounts are recorded as revenue when performance obligations are satisfied, which is generally over time as services are rendered. Management believes that recognizing revenue over time is the best measure of services rendered based on the academic calendar which runs from September through August of each year and coincides with the Organization's fiscal year. Management has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Consulting and product revenue is recorded based on agreed-upon rates as listed in the contract. Such amounts are recorded as revenue when performance obligations are satisfied, which is generally at a point in time that services are rendered. Management believes that recognizing revenue at a point in time is the best measure of services rendered based on the contract.

The following table provides revenue disaggregation by timing of revenue recognition:

	2024	2023
Services transferred at a point in time	\$ 21,793,122	\$ 32,252,731
Services transferred over time	4,154,687	3,950,357
	<u>\$ 25,947,809</u>	<u>\$ 36,203,088</u>

EL Education, Inc.

Notes to Financial Statements

August 31, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

f. Revenue and Support Recognition - Continued

Contributions, including unconditional promises to give, and grants are recognized as revenue as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses are recorded as net assets with restrictions and reclassified to net assets without donor restrictions when such time or purpose restriction has been satisfied.

Conditional contributions are recorded as revenue when such amounts become unconditional, which generally involves the meeting of a barrier to entitlement. This can include events such as meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs, or other barriers.

The Organization uses the allowance method to determine uncollectible promises and grants receivable. The allowance is based on prior years' experience and management's analysis of specific promises made and grants approved. On August 31, 2024, and 2023, no allowance related to grants and contributions receivables has been recognized based on management's determination.

The Organization receives conditional grants and advances for program services for which revenue is recognized when the program condition is met. The amount of conditional pledges for which revenue have not yet been recognized as of August 31, 2024 and 2023 were \$1,995,416 and \$2,891,216, respectively.

g. Allowance for Credit Losses

On September 1, 2023, the Organization adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("Topic 326"). Financial assets, which potentially subject the Organization to credit losses, consist primarily of accounts receivable. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions.

Based on the analysis performed on the open accounts receivable aging and detail analysis of the customers, the Organization recorded an allowance for doubtful accounts as of August 31, 2024 and 2023 of \$385,932 and \$330,490, respectively. The impact of the adoption was not considered material to the financial statements and primarily results in new/enhanced disclosures only.

h. Property and Equipment

Property and equipment are recorded at cost or, if received as a gift, at fair value when acquired. Depreciation is computed on the straight-line basis over the assets' useful lives, which range from three to seven years. Leasehold improvements are amortized over the shorter of the life of the asset or the term of the lease, using the straight-line method. Property and equipment purchases with a cost in excess of \$1,000 are capitalized; all others are expensed as incurred.

EL Education, Inc.

Notes to Financial Statements

August 31, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

i. Functional Allocation of Expenses

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function. Salaries, benefits, consulting, travel, conferences and meetings, and books are attributable to more than one program or supporting function and are allocated based on the estimate of time and effort.

j. Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and New York State Not-for-Profit Corporation law, respectively, and qualifies for the charitable contribution deduction.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management has determined that there were no tax uncertainties that met the recognition threshold at the statement of financial position date and no interest or penalties related to unrecognized tax benefits have been recognized in the Organization's financial statements.

The Organization timely files federal Form 990 annually and New York State annual reports as required. The Organization's filing years prior to August 31, 2020 are no longer subject to examination. No returns or registrations are presently under examination by the relevant authorities.

k. Advertising

Advertising is expensed as incurred and amounted to approximately \$105,141 and \$6,730 for the years ended August 31, 2024 and 2023, respectively.

l. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

m. Leases

The Organization follows FASB ASC 842, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use ("ROU") assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The Organization elected the practical expedient to not separate lease and non-lease components for all leases. All leases as of August 31, 2024 had a term of 12 months or less. For the year ended August 31, 2024, lease expense was approximately \$240,379.

EL Education, Inc.

Notes to Financial Statements

August 31, 2024

Note 3 - Liquidity and Availability

The Organization's financial assets available within one year from the statement of financial position date for general expenses are as follows:

	August 31,	
	2024	2023
Cash and cash equivalents	\$ 11,617,425	\$ 14,621,796
Investments - at fair value	3,365,081	3,065,351
Accounts receivable, net	4,664,624	13,181,021
Unconditional promises to give	397,000	3,210,048
Financial assets at year-end	20,044,130	34,078,216
Less those unavailable for general expenditure within one year:		
Net assets with donor restrictions	4,031,945	6,152,209
Board-designated net assets	1,000,000	859,437
	5,031,945	7,011,646
Financial assets available to meet cash needs for general expenditures within one year	\$ 15,012,185	\$ 27,066,570

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to the financial assets available for general expenses above, the Organization has a \$1,600,000 line of credit with a financial institution available for any immediate needs (see Note 8) and a revolving loan in the aggregate amount of \$2,000,000 (see Note 9).

Note 4 - Cash and Cash Equivalents and Restricted Cash

For purposes of the statements of financial position and cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased. Restricted cash on the statement of financial position includes restricted cash received with restrictions imposed by donors (but not yet invested) for investing in the Organization's endowment fund.

	August 31,	
	2024	2023
Cash and cash equivalents	\$ 11,617,425	\$ 14,621,796
Restricted cash	227	223
Total cash, cash equivalents, and restricted cash	\$ 11,617,652	\$ 14,622,019

EL Education, Inc.

Notes to Financial Statements

August 31, 2024

Note 5 - Investments

Investments are stated at fair value. The Organization's investments consist of mutual funds. Mutual funds are valued at the daily quoted prices in active markets (Level 1 measurements). Investments are comprised of the following at August 31:

	2024	2023
Investments		
Mutual funds - equities	\$ 2,385,170	\$ 2,116,378
Mutual funds - bonds	979,911	948,973
Total	<u>\$ 3,365,081</u>	<u>\$ 3,065,351</u>

Of the total investment balance as of August 31, 2024 and 2023, \$1,988,473 and \$1,708,967 is restricted for endowments, respectively.

For the years ended August 31, 2024 and 2023, investment return consisted of the following:

	2024	2023
Interest and dividend income	\$ 454,313	\$ 470,274
Realized losses, net	(22,775)	(21,425)
Unrealized losses, net	364,267	175,352
	<u>\$ 795,805</u>	<u>\$ 624,201</u>

Note 6 - Unconditional Promises to Give

Unconditional promises to give consist of the following at August 31, 2024 and 2023:

	2024	2023
Due within one year	\$ 397,000	\$ 3,210,048
	<u>\$ 397,000</u>	<u>\$ 3,210,048</u>

Unconditional promises to give are recorded at the expected future cash flows. The Organization has not recorded a discount to reflect the net present value of the future cash flows as of August 31, 2024 and 2023 as management determined the amounts to be immaterial. There was no allowance for uncollectible accounts related to grants and contributions receivables as of August 31, 2024 and 2023.

Note 7 - Property and Equipment

At August 31, 2024 and 2023, property and equipment consists of:

	2024	2023
Leasehold improvements	\$ 277,836	\$ 277,836
Furnitures, fixtures and equipment	1,414,979	1,351,780
	1,692,815	1,629,616
Less accumulated depreciation and amortization	(1,541,677)	(1,402,512)
Property and equipment, net	<u>\$ 151,138</u>	<u>\$ 227,104</u>

EL Education, Inc.

Notes to Financial Statements

August 31, 2024

Note 8 - Line of Credit

The Organization has a revolving line of credit with a financial institution to allow for borrowings up to \$1,600,000. The interest rate is defined as prime plus 1% (9.5% as of August 31, 2024). Outstanding balances on the line of credit are secured by deposits held at the lending institution, with a blanket lien on all assets as collateral. The line expires on February 28, 2025. The line of credit was not used during the years ended August 31, 2024 and 2023, and there were no amounts outstanding under the line of credit at August 31, 2024 and 2023.

Note 9 - Revolving Loan

The Organization entered into an agreement with Educational Resources Impact Fund, LP ("ERIF"), for a revolving loan in the aggregate amount of \$2,000,000 for the enhancement of their existing K-5 English Language Arts (ELA) curriculum and the development of new products to supplement the core curriculum. Interest charged is 5.5% per annum and payable quarterly. The Organization borrowed \$1,500,000 and the principal is payable in full by December 31, 2030. For the year ended August 31, 2024, interest expense was approximately \$35,000.

Note 10 - Retirement Plan

The Organization sponsors a 403(b) defined contribution retirement plan. The Organization matches dollar-for-dollar up to 5% for all employee contributions to the plan after six months of service. Total contributions to the plan were approximately \$753,000 and \$573,000 for the years ended August 31, 2024 and 2023, respectively.

Note 11 - Concentrations of Credit Risk and Major Grantors

Cash and Cash Equivalents

As of August 31, 2024 and 2023, the Organization maintains cash balances at a bank which is insured by the Federal Deposit Insurance Corporation for a limit of up to \$250,000. The Organization also maintains cash balances at brokerage firms, which at August 31, 2024 and 2023, are insured by the Securities Investor Protection Corporation up to \$250,000. The Organization maintains its cash in bank deposit accounts and brokerage firms which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Major Grantors

During the year ended August 31, 2024, approximately 39% of contributions and grants were received from three donors; approximately 100% were unconditional promises to give from two donors as of August 31, 2024.

During the year ended August 31, 2023, approximately 56% of contributions and grants were received from three donors; approximately 82% were unconditional promises to give from three donors as of August 31, 2023.

EL Education, Inc.

Notes to Financial Statements

August 31, 2024

Note 12 - Net Assets with Donor Restrictions

Net assets with donor restrictions, excluding net assets in perpetuity of \$1,988,473 and \$1,708,967, respectively, consist of the following at August 31:

	2024	2023
Time and purpose restrictions	<u>\$ 2,043,472</u>	<u>\$ 4,443,242</u>

Time and purpose restrictions consist of the following at August 31:

	2024	2023
Development of EL Education Schools	\$ 588,001	\$ 2,080,282
Curriculum services	1,222,917	2,349,019
Other purpose-restricted activities	232,554	13,941
	<u>\$ 2,043,472</u>	<u>\$ 4,443,242</u>

Note 13 - Donor and Board-Designated Endowment

The Organization's endowment consists of two individual funds established to provide financial support to the operations of the Organization. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies those net assets with donor restrictions that are perpetual in nature as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, 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 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

EL Education, Inc.

Notes to Financial Statements

August 31, 2024

Note 13 - Donor and Board-Designated Endowment - Continued

Endowment Net Asset Composition by Type of Fund As of August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,708,967	\$ 1,708,967
Board-designated endowment funds	859,437	-	859,437
Total funds	<u>\$ 859,437</u>	<u>\$ 1,708,967</u>	<u>\$ 2,568,404</u>

Changes in Endowment Net Assets For the Fiscal Year Ended August 31, 2024

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, September 1, 2023	\$ 859,437	\$ 1,708,967	\$ 2,568,404
Investment return:			
Interest and dividends	20,632	41,026	61,658
Net realized/unrealized losses	119,931	238,480	358,411
Endowment net assets, August 31, 2024	<u>\$ 1,000,000</u>	<u>\$ 1,988,473</u>	<u>\$ 2,988,473</u>

Changes in Endowment Net Assets For the Fiscal Year Ended August 31, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, September 1, 2022	\$763,086	\$1,517,376	\$ 2,280,462
Investment return:			
Interest and dividends	40,244	80,024	120,268
Net realized/unrealized gains	56,107	111,567	167,674
Endowment net assets, August 31, 2023	<u>\$ 859,437</u>	<u>\$ 1,708,967</u>	<u>\$ 2,568,404</u>

EL Education, Inc.

Notes to Financial Statements

August 31, 2024

Note 13 - Donor and Board-Designated Endowment - Continued

	2024	2023
Net assets with donor restrictions in perpetuity:		
The portion of perpetual endowment funds		
that is required to be retained permanently		
either by explicit donor stipulation or by NYPMIFA	<u>\$ 1,988,473</u>	<u>\$ 1,988,473</u>

Return Objectives and Risk Parameters

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. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to support regular program and/or project expenditures at a level of 3% to 4% of principal value, maintain the inflation-adjusted value of the principal over time, and grow the principal to the extent doing so is consistent with the other objectives.

Strategies Employed for Achieving Objectives

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 at least 50% of the portfolio investments should be liquid, which is defined as being convertible to cash within seven days. It is expected that the percentage of liquid investments will be substantially higher, as less liquid investments are likely to be a substantial portion of the portfolio only after it is at least \$5,000,000 in total value.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The committee adopted a spending policy that specifies distributions each year at the level of 4% of the average principal balance over the period of twelve calendar quarters preceding the year of distribution. Generally, the rate of expenditure for such projects will be 5% or less of the endowment's principal value each year; however, occasional distributions in excess of that level may be considered.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds fall below the level that the donor or other regulations requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of August 31, 2024 or August 31, 2023.

Note 14 - Subsequent Events

The Organization has evaluated subsequent events through December 19, 2024, the date the financial statements were available to be issued and has concluded that no such events or transactions took place which would require disclosure herein.