

HAWTHORNE VALLEY ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS

As of and for the years ended August 31, 2025 and 2024

HAWTHORNE VALLEY ASSOCIATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Hawthorne Valley Association, Inc.:

Opinion

We have audited the financial statements of Hawthorne Valley Association, Inc. (a non-profit organization), which comprise the statements of financial position as of August 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years 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 Hawthorne Valley Association, Inc. as of August 31, 2025 and 2024, 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 Opinion

We conducted our audits 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 Hawthorne Valley Association, Inc. and to meet our other ethical requirements, in accordance with the relevant ethical requirements relating to our audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

UHY LLP

Hudson, New York
February 3, 2026

HAWTHORNE VALLEY ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,127,100	\$ 1,753,487
Certificate of deposit	-	40,000
Investments - nonmarketable securities	259,453	256,952
Investments, at fair value	578,519	817,605
Accounts receivable, net of allowances for credit losses of \$78,717 and \$78,717 for 2025 and 2024, respectively	260,612	220,965
Note receivable, current portion	-	2,410
Pledges receivable	-	20,000
Grants receivable, current portion	580,000	300,000
Inventories	567,422	600,051
Prepaid expenses	113,469	102,741
Other receivables	8,772	8,772
Total current assets	3,495,347	4,122,983
NONCURRENT ASSETS		
Land, buildings, and equipment, net	9,592,065	8,088,055
Grants receivable, net of current portion	1,121,303	-
Note receivable, net of current portion	-	16,206
Investments - nonmarketable securities	4,609	7,179
Investments, at fair value	484,246	331,790
Deposits	13,800	300
Cash and cash equivalents - restricted for endowment	8,964	16,866
Cash and cash equivalents - restricted for equipment acquisition	-	18,500
Total noncurrent assets	11,224,987	8,478,896
Total assets	\$ 14,720,334	\$ 12,601,879
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 986,675	\$ 452,320
Accrued expenses and other liabilities	100,131	116,484
Payroll and related payables	544,380	426,288
Contract liabilities	1,666,742	1,493,348
Current portion of long-term debt	175,844	158,214
Current portion of notes payable	261,000	176,000
Total current liabilities	3,734,772	2,822,654
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	186,519	268,066
Notes payable, net of current portion	150,000	400,000
Total noncurrent liabilities	336,519	668,066
Total liabilities	4,071,291	3,490,720
NET ASSETS		
Without donor restrictions:		
Board designated-medical reserve	324,033	281,770
Undesignated	7,538,104	6,711,512
Total without donor restrictions	7,862,137	6,993,282
With donor restrictions		
Total net assets	2,786,906	2,117,877
Total net assets	10,649,043	9,111,159
Total liabilities and net assets	\$ 14,720,334	\$ 12,601,879

See notes to financial statements.

HAWTHORNE VALLEY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
For the year ended August 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
REVENUE AND SUPPORT			
Product sales	\$ 10,466,379	\$ -	\$ 10,466,379
Tuition and fees, net of tuition discount of \$2,711,333	4,633,262	-	4,633,262
Contributions, donations, and grants	1,295,595	1,179,316	2,474,911
Guests and conference income	886,781	-	886,781
Fundraising events	27,934	-	27,934
Rentals	18,759	-	18,759
Consulting and other services	568,097	-	568,097
Other income	177,352	-	177,352
Total revenue and support before releases	<u>18,074,159</u>	<u>1,179,316</u>	<u>19,253,475</u>
Net assets released from restrictions	1,114,889	(1,114,889)	-
Total revenue and support	<u>19,189,048</u>	<u>64,427</u>	<u>19,253,475</u>
EXPENSES			
Programs:			
Education	4,426,109	-	4,426,109
Visiting schools and camps	645,460	-	645,460
Research and other	756,913	-	756,913
Management, general, and administrative	2,440,312	-	2,440,312
Fundraising	320,028	-	320,028
Store, farm and dairy operations	9,936,243	-	9,936,243
Total expenses from operations	<u>18,525,065</u>	<u>-</u>	<u>18,525,065</u>
Change in net assets from operating activities	<u>663,983</u>	<u>64,427</u>	<u>728,410</u>
NON-OPERATING ACTIVITIES			
Contributions restricted for equipment acquisition	125,000	541,303	666,303
Interest income	85,162	-	85,162
Investment income (loss), net	28,636	63,299	91,935
Interest expense	(33,926)	-	(33,926)
Change in net assets from non-operating activities	<u>204,872</u>	<u>604,602</u>	<u>809,474</u>
CHANGE IN NET ASSETS	<u>868,855</u>	<u>669,029</u>	<u>1,537,884</u>
NET ASSETS, Beginning of year	<u>6,993,282</u>	<u>2,117,877</u>	<u>9,111,159</u>
NET ASSETS, End of year	<u>\$ 7,862,137</u>	<u>\$ 2,786,906</u>	<u>\$ 10,649,043</u>

See notes to financial statements.

HAWTHORNE VALLEY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
For the year ended August 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
REVENUE AND SUPPORT			
Product sales	\$ 10,081,951	\$ -	\$ 10,081,951
Tuition and fees, net of tuition discount of \$2,291,212	4,362,931	-	4,362,931
Contributions, donations, and grants	887,398	753,167	1,640,565
Donated services	96,225	-	96,225
Guests and conference income	798,715	-	798,715
Fundraising events	31,709	-	31,709
Rentals	20,578	-	20,578
Consulting and other services	510,266	-	510,266
Other income	114,900	-	114,900
Total revenue and support before releases	16,904,673	753,167	17,657,840
Net assets released from restrictions	559,970	(559,970)	-
Total revenue and support	17,464,643	193,197	17,657,840
EXPENSES			
Programs:			
Education	3,689,792	-	3,689,792
Visiting schools and camps	726,066	-	726,066
Research and other	677,711	-	677,711
Management, general, and administrative	2,307,268	-	2,307,268
Fundraising	378,773	-	378,773
Store, farm and dairy operations	9,519,149	-	9,519,149
Total expenses from operations	17,298,759	-	17,298,759
Change in net assets from operating activities	165,884	193,197	359,081
NON-OPERATING ACTIVITIES			
Contributions restricted for equipment acquisition	-	18,500	18,500
Forgiveness of notes payable	5,000	-	5,000
Interest income	98,328	-	98,328
Investment income (loss), net	50,444	35,635	86,079
Interest expense	(45,306)	-	(45,306)
Net assets released from restrictions	(8,159)	8,159	-
Change in net assets from non-operating activities	100,307	62,294	162,601
CHANGE IN NET ASSETS	266,191	255,491	521,682
NET ASSETS, Beginning of year	6,727,091	1,862,386	8,589,477
NET ASSETS, End of year	\$ 6,993,282	\$ 2,117,877	\$ 9,111,159

See notes to financial statements.

HAWTHORNE VALLEY ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2025

	Programs				Support Services		Business Enterprises	Total
	Education	Visiting Schools and Camps	Research and Other	Total Program	Management and General	Fundraising	Store, Farm and Dairy Operations	
Salaries	\$ 2,731,273	\$ 371,338	\$ 364,951	\$ 3,467,562	\$ 1,526,535	\$ 235,349	\$ 2,651,633	\$ 7,881,079
Employee benefits and payroll taxes	572,671	77,859	76,520	727,050	320,071	49,346	555,976	1,652,443
Non-employee contractors	105,188	854	15,519	121,561	-	-	150,941	272,502
Cost of products	-	-	654	654	-	-	4,951,258	4,951,912
Repairs and maintenance	42,673	8,459	1,352	52,484	121,048	-	170,248	343,780
Utilities	51,998	14,224	10,816	77,038	15,733	-	160,985	253,756
Insurance	119,787	44,237	1,787	165,811	23,573	-	157,538	346,922
Legal and accounting	26,351	435	-	26,786	79,205	42	1,951	107,984
Depreciation	203,892	22,551	-	226,443	119,220	-	221,870	567,533
Supplies	152,013	65,023	20,197	237,233	24,483	786	414,929	677,431
Vehicle repairs, fuel, and rentals	3,373	-	-	3,373	6,273	-	111,773	121,419
Rent	25,868	-	-	25,868	-	-	71,956	97,824
Consulting and subcontracted services	-	-	219,488	219,488	-	-	-	219,488
Information technology	24,341	-	6,668	31,009	138,251	9,529	16,654	195,443
Travel	5,341	1,941	11,937	19,219	1,480	372	4,582	25,653
Training and conferences	18,855	3,276	3,578	25,709	2,496	800	4,281	33,286
Dues and fees	52,119	17,101	2,379	71,599	10,190	792	234,714	317,295
Grants and donations	-	-	250	250	-	7,818	3,293	11,361
Advertising and promotion	21,528	8,579	1,034	31,141	12,917	12,634	23,018	79,710
Photocopy and publications	10,252	1,663	18,275	30,190	2,780	518	2,180	35,668
School trips	168,626	-	-	168,626	-	-	-	168,626
Other	89,960	7,920	1,508	99,388	36,057	2,042	26,463	163,950
Subtotal	4,426,109	645,460	756,913	5,828,482	2,440,312	320,028	9,936,243	18,525,065
Interest	7,505	3,015	-	10,520	7,464	-	15,942	33,926
Subtotal	7,505	3,015	-	10,520	7,464	-	15,942	33,926
Total expenses	\$ 4,433,614	\$ 648,475	\$ 756,913	\$ 5,839,002	\$ 2,447,776	\$ 320,028	\$ 9,952,185	\$ 18,558,991

See notes to financial statements.

HAWTHORNE VALLEY ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2024

	Programs				Support Services		Business Enterprises	Total
	Education	Visiting Schools and Camps	Research and Other	Total Program	Management and General	Fundraising	Store, Farm and Dairy Operations	
Salaries	\$ 2,163,294	\$ 444,868	\$ 265,673	\$ 2,873,835	\$ 1,388,710	\$ 288,430	\$ 2,484,473	\$ 7,035,448
Employee benefits and payroll taxes	438,191	68,196	54,296	560,683	355,312	60,806	506,380	1,483,181
Non-employee contractors	194,085	3,276	31,287	228,648	2,176	-	149,034	379,858
Cost of products	-	-	357	357	-	-	4,760,301	4,760,658
Repairs and maintenance	44,938	5,047	1,683	51,668	95,137	-	117,723	264,528
Utilities	45,227	15,351	7,770	68,348	28,929	41	135,232	232,550
Insurance	135,036	44,980	3,321	183,337	22,012	-	140,170	345,519
Legal and accounting	13,675	1,472	-	15,147	119,407	2,173	8,786	145,513
Depreciation	197,369	26,073	12,932	236,374	37,655	-	266,317	540,346
Supplies	103,972	79,617	11,208	194,797	31,115	785	424,579	651,276
Vehicle repairs, fuel, and rentals	826	1,255	-	2,081	9,726	-	145,571	157,378
Rent	12,222	-	-	12,222	350	-	69,223	81,795
Consulting and subcontracted services	-	-	207,987	207,987	-	-	-	207,987
Information technology	26,610	-	3,847	30,457	129,644	6,160	17,671	183,932
Travel	-	974	7,903	8,877	1,259	400	7,478	18,014
Training and conferences	11,158	7,432	-	18,590	5,185	1,975	6,984	32,734
Dues and fees	46,431	15,464	723	62,618	7,857	640	218,111	289,226
Grants and donations	-	-	100	100	10,837	-	860	11,797
Advertising and promotion	44,125	7,831	10,700	62,656	16,355	13,049	24,616	116,676
Photocopy and publications	10,274	1,913	57,106	69,293	3,111	701	2,568	75,673
School trips	123,570	-	-	123,570	-	-	-	123,570
Other	78,789	2,317	818	81,924	42,491	3,613	33,072	161,100
Subtotal	3,689,792	726,066	677,711	5,093,569	2,307,268	378,773	9,519,149	17,298,759
Interest	22,495	4,949	-	27,444	-	-	17,862	45,306
Subtotal	22,495	4,949	-	27,444	-	-	17,862	45,306
Total expenses	\$ 3,712,287	\$ 731,015	\$ 677,711	\$ 5,121,013	\$ 2,307,268	\$ 378,773	\$ 9,537,011	\$ 17,344,065

See notes to financial statements.

HAWTHORNE VALLEY ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended August 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,537,884	\$ 521,682
Adjustments to reconcile change in net assets to net cash from operating activities:		
Non-operating contribution for equipment acquisition	(125,000)	(18,500)
Forgiveness of note payable	-	(5,000)
Depreciation	567,533	540,346
Provision for credit losses	19,378	14,031
Realized and unrealized gain on investments	(76,927)	(63,147)
Changes in Assets/Liabilities:		
Accounts receivable	(59,025)	(6,842)
Pledges receivable	20,000	20,000
Grants receivable	(1,401,303)	500,000
Inventories	32,629	25,996
Prepaid expenses	(10,728)	124,143
Other receivable	-	(8,772)
Deposits	-	2,200
Accounts payable	88,156	(14,109)
Accrued expenses and other liabilities	(16,353)	14,037
Payroll and related payables	118,092	56,542
Due to related party, net	-	(6,995)
Contract liabilities	173,394	24,799
Net cash provided by operating activities	<u>867,730</u>	<u>1,720,411</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of land, building and equipment	(1,625,344)	(580,791)
Purchase deposits for land, building, and equipment	(13,500)	-
Purchases of investments	(496,543)	(476,054)
Proceeds from sales of investments	660,169	150,376
Proceeds from maturity of certificate of deposit	40,000	-
Purchase of certificate of deposit	-	(40,000)
Proceeds from sale of equity method investment	-	10,000
Proceeds from note receivable	18,616	2,361
Net cash used for investing activities	<u>(1,416,602)</u>	<u>(934,108)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and notes payable	200,000	-
Payments on loans and notes payable	(428,917)	(247,761)
Contributions restricted for equipment acquisition	125,000	18,500
Net cash used for financing activities	<u>(103,917)</u>	<u>(229,261)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(652,789)	557,042
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,788,853</u>	<u>1,231,811</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,136,064</u>	<u>\$ 1,788,853</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 1,127,100	\$ 1,753,487
Cash and cash equivalents - restricted for endowment	8,964	16,866
Cash and cash equivalents - restricted for equipment acquisition	-	18,500
	<u>\$ 1,136,064</u>	<u>\$ 1,788,853</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest	<u>\$ 40,032</u>	<u>\$ 46,796</u>
Non-cash activity:		
Individual note payable forgiveness	<u>\$ -</u>	<u>\$ 5,000</u>
Fixed assets in accounts payable	<u>\$ 446,199</u>	<u>\$ -</u>

See notes to financial statements.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 1 – NATURE OF OPERATIONS

Hawthorne Valley Association, Inc. (“HVA” or the “Association”) is a non-profit organization engaged in the establishment and maintenance of a rural institution that affords recreational, vocational and educational opportunities and aids students in developing practical trades and skills. The instruction is based upon the pedagogical principles and methods of Rudolf Steiner (or Waldorf Schools).

The program activities of HVA include:

- *Education* – this program is comprised of the following sub-programs:
 - School: consists of the operation of a Waldorf school for Pre-K through 12th grade that utilizes the methods of Rudolf Steiner;
 - Alkion Center for Adult Education: Grounded in the path of inner development outlined by Rudolf Steiner, educational offerings to adults at the center strive to awaken the individual to the working of the spirit in human beings, nature, and society; and
 - Alkion Press: a small press that publishes and distributes books devoted to education, art, and the human spirit.
- *Visiting Schools and Camps* – this program offers intern and counselor positions to young adults who work with students from urban and suburban schools, from 3rd grade to 12th grade, who come to farm during the school year and work with the animals alongside HVA’s farmers.
- *Research and Other* – this program is comprised of the following sub-programs:
 - Center for Social Research: Strives to promote social health by supporting freedom and choice in cultural life, equality and democracy in political life, and associative cooperation in economic life;
 - Farmscape Ecology: A participatory research and outreach program that fosters compassion for the ecological and cultural landscape of Columbia County, New York;
 - Lightforms: an Art Center offering public presentations, exhibitions, installations, workshops, and performances, an artist-in-residence program, publications, and a small gift shop; and
 - Net Positive: a program that a) contributes more to the natural world and its inhabitants than it extracts, b) harmonizes social, economic, and environmental needs, and c) formalizes and embeds these commitments in every aspect of the Association. The Association’s efforts will address carbon reduction, ecosystem stewardship, and climate risk mitigation at an organizational level and will also help cultivate the profound internal resilience required to navigate a dizzying confluence of social and climatic challenges with optimism and strength.

The business enterprises of HVA include:

- *Store, Farm and Dairy Operations* – The Association operates an organic/natural foods and grocery store that is open to the public along with a biodynamic farm and dairy operation at its location in Ghent, NY. Turose, a gift and school supply store, is also operated by the Association at their main campus in Ghent, New York.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The financial statements are presented in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958, "*Not-for-Profit Entities*".

Under the provisions of ASC 958, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Association. The Association's board may designate assets without restrictions for specific operational purposes from time to time.

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

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

Reclassifications

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

Contributions, Donations, and Grants

Unconditional contributions are recognized when pledged and recorded as support with or without restriction, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donations of property, equipment, and stock investments are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

When a restriction expires, 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 statement of activities as net assets released from restrictions. Donor-restricted contributions and investment returns whose restrictions are met in the same reporting period are reported as support without restriction.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions, Donations, and Grants (Continued)

The Association also receives grants and contributions from public and private foundations, government agencies, and other entities. When grants and contributions are received, the Association follows FASB Accounting Standards Update (ASU) 2018-08, *“Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.”* Under this guidance, grants subject to a right of return from the grantor are recognized only when the Association demonstrates it has overcome any existing barriers or conditions listed in the grant or contribution agreement. Those grants whose funds are received with a grantor’s right of return and the existence of conditions or barriers that are not overcome are shown as grant advances liabilities on the statement of financial position. The Association did not have any grant advances liabilities as of August 31, 2025 and 2024.

Certain revenue is earned on cost reimbursable type contracts as services are provided and expenses are incurred to carry out the objectives of the related contractual arrangements. Cost reimbursable contract revenue is recognized only to the extent the contract allows for the related costs incurred by the Association and cannot exceed the maximum amount allowed for under the contract.

Funds are sometimes advanced to the Association by government agencies prior to the earnings process which are deferred in the accompanying statement of financial position. Revenue earned in excess of payments received from the government agency is accrued when necessary.

FASB ASC 230-10, *“Not-for-Profit Entities: Classification of the Sale of Donated Financial Assets in the Statement of Cash Flows”* requires not-for-profit entities to classify cash receipts without donor restrictions from the sale of donated financial assets that were nearly immediately converted into cash as cash inflows from operating activities. Cash receipts in which the donor restricts the use of contributed resources to long-term purposes should be classified as cash flows from financing activities.

Donated Goods and Services

The Association recognizes revenue for certain services received at the fair value of those services. These services include professional services donated by another not-for-profit entity that pays teachers to provide education for the Association’s Education program. The fair value of the donated services is reflected in revenues and included in expenses in the following natural categories for the year ended August 31, 2024:

Program (Salaries - Education)	<u>\$ 96,225</u>
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These donated services were not provided during the year ended August 31, 2025.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Association with program services and fundraising events. No amounts have been reflected in the financial statements for these donated services since a volunteer’s time does not meet the criteria for recognition under FASB ASC 958-605, *“Not-for-Profit Entities – Revenue Recognition”*.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

For tuition, product sales, guest and conference, and consulting and other services, the Association follows FASB ASC 606. *“Revenue from Contracts with Customers”*, which requires revenue to be recognized when the Association’s performance obligation is satisfied.

Tuition revenue is recognized evenly over the academic year, which runs from September to June each fiscal year, as services are provided in the form of performance obligations related to teaching, housing, and other school-related services to students and visiting students. For the years ended August 31, 2025 and 2024, the Association recognized \$7,344,595 and \$6,654,143 of gross student tuition and fees, respectively. For the years ended August 31, 2025 and 2024, the Association awarded \$2,711,333 and \$2,291,212 of scholarships and other financial awards, respectively. The transaction price is based on published prices. The amount of financial aid awarded is known when determining the transaction price and is therefore not variable consideration. Payment is generally collected within the same academic year, but in differing intervals based on the payment plan agreed to in the tuition agreement.

Revenues from product sales are recorded when products are delivered, title passes to customers, and collection is likely to occur. Title passes to customers at the point of sale for all retail purchases. Arrangements with customers contain one performance obligation to provide a distinct set of products. The transaction price is based on published prices. Performance obligations are satisfied simultaneously as the Association exchanges products for customer payment or when the customers arrive to pick up their groceries at the Farm Store that are pre-ordered on the Farm Store website. Product sales also occur at various farmers’ markets and open-air markets in the Hudson Valley of New York State and New York City.

The Association also generates revenue by providing consulting and other services to other not-for-profit and agricultural entities in the local area. These consulting services are governed by a fee for service contract or arrangement with each customer that specifies applicable hourly billing rates or balances due from the customer for the services performed. For these services, revenue is recognized based on the input method and hours expended at the time the performance obligation is satisfied, which is in the period when the hours are incurred and consulting services are provided. The customer is invoiced periodically throughout the service period or upon completion of the service and payment is generally collected within 30 days.

Guest and conference income is generated by providing camp and visiting student programs to various student families, which is recognized evenly over the time frame of the program. The transaction price is based on published prices. Payment is generally collected in installments throughout the program, with all amounts generally collected before the end of the fiscal year.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contract liabilities consist of prepaid fees for deferred tuition and related fees, consulting services, and prepaid amounts for product sales. Deferred tuition and boarding fees represents payments received during the year ended August 31, 2025 for the Fall 2025 through Spring 2026 school year. Amounts will be recognized as tuition revenues over the academic year, pro rata, when earned. Deferred tuition and boarding fees as of August 31, 2024 were recognized as they were earned, pro rata, during the Fall 2024 and Spring 2025 school year. Prepaid amounts for consulting services are payments received before corresponding agreed-upon consulting services are provided. Amounts will be recognized as consulting services revenue as the services are provided during the following fiscal year. Prepaid amounts for product sales are payments or deposits received from customers for future purchases at the Farm Store or farmers’ or open-air markets. Amounts will be recognized as revenues as product sales take place during the following fiscal year. As of August 31, 2025 and 2024, the Association had \$1,666,742 and \$1,493,348 of contract liabilities, respectively. The balance of contract liabilities as of September 1, 2023 was \$1,468,549.

Performance obligations that are satisfied but for which consideration has not been received are recorded as contract assets or accounts receivables. The Association reports accounts receivable related to tuition and fees at their estimated transaction prices, inclusive of adjustments for tuition discounts for scholarships and faculty, based on historical experience and current market conditions. The Association reports accounts receivables for the consulting, guest and conference, consulting, and other services mentioned above at their transaction prices based on the amounts expected to be collected from payers. There were no contract assets for the Association as of August 31, 2025 and 2024.

During the years ended August 31, earned revenue was recognized as follows:

	<u>2025</u>	<u>2024</u>
Over time (as performance obligation is satisfied)	\$ 6,363,941	\$ 5,902,551
At a point in time (when performance obligation is satisfied)	10,190,578	9,851,312
	<u>\$ 16,554,519</u>	<u>\$ 15,753,863</u>

Allowance for Estimated Credit Losses

The Association operates in the private education industry and its accounts receivable are primarily derived from individual student families. The Association follows FASB ASC 326, “*Financial Instruments – Credit Losses*” (ASC 326), when accounting for its allowance for estimated credit losses. At inception, when accounts receivable are recorded, the Association recognizes an expected allowance for credit losses. This estimate is calculated on a pooled basis where similar risk characteristics exist.

The allowance estimate is derived from a review of the Association’s historical losses. This estimate is adjusted for collection activity through the end of the first four months subsequent to year-end and current conditions. The Association believes the factors described above are a reasonable starting point in which to calculate the expected allowance for estimated credit losses. Management has determined that its allowance for estimated credit losses should not be adjusted as of August 31, 2025.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Estimated Credit Losses (Continued)

The following shows a reconciliation of the allowance for credit losses for the years ended August 31, 2025 and 2024:

Beginning balance, September 1, 2023	\$	77,000
Provision for credit losses		14,031
Write-offs		(12,314)
Recoveries		-
Beginning balance, September 1, 2024		<u>78,717</u>
Provision for credit losses		19,378
Write-offs		(19,378)
Recoveries		-
Ending balance, August 31, 2025	\$	<u><u>78,717</u></u>

In July 2025, the FASB issued ASU 2025-05, *“Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets for Private Companies and Certain Not-For-Profit Entities”*, which provides a practical expedient and an accounting policy election for private companies and not-for-profit entities in applying ASC 326. The practical expedient allows an entity, when developing reasonable and supportable forecasts, to assume current conditions, as of the statement of financial position date, will not change for the remaining life of the underlying assets (the “current conditions practical expedient”). The accounting policy election allows for an entity that elects the practical expedient to consider collection activity after the statement of financial position date when estimating expected credit losses (the “subsequent collections accounting policy”). Early adoption of this practical expedient and accounting policy election is permitted, with the Company adopting this practical expedient as of September 1, 2024.

Use of Estimates

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

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Association’s tax-exempt purpose is subject to taxation as unrelated business income.

The Association utilizes the method of accounting for income taxes set forth in FASB ASC 740, *“Income Taxes”* (ASC 740). Deferred income tax assets and liabilities are computed annually for differences between the financial statements and the tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Income tax expense is the tax payable or refundable for the period plus or minus the change in deferred tax assets and liabilities.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Association has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements, according to ASC 740. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. None of the Association's returns are currently under examination.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash in banks, money market accounts, and highly liquid investments with maturities of three months or less at the time of acquisition. Cash and cash equivalents representing investment funds are included in investments. Cash and cash equivalents designated by donors to be used to acquire property and equipment are presented as long-term assets.

Inventories

Inventories consist of primarily finished goods comprised of food/store items, books, and supplies and are stated at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis.

Investments Accounted for Using the Equity Method

The Association accounted for an Investment using the equity method for its investment in Farm Ferments, LLC ("Whitethorne"). Whitethorne is a modern fermentation and packing facility in Hudson, New York. As of August 31, 2023, the Association owned 14.61% or 72,297.15 of the Class A units of Whitethorne. In addition, for the year ended August 31, 2023, the Association owned 100% or 16,332.08 of the Class B units of Whitethorne. As a result, the Association's net membership interest in Whitethorne as of the year ended August 31, 2023 was 21.85%. The total assets, liabilities, and members' equity for Whitethorne as of and for the year ended August 31, 2023 were \$2,174,383, \$1,582,147, and \$592,236 respectively.

When the Association demonstrates significant influence over the investee, the equity method of accounting is applied. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. As of August 31, 2023, 2 out of the 7 members of Whitethorne's board of managers were designated for management of the Association, with one of those positions unfilled as of the year ended August 31, 2023.

The operating results and assets and liabilities of investees are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an entity is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Association's share of profit or loss and other comprehensive income of the entity as well as the distribution received, if any.

When necessary, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. The new cost basis cannot subsequently be written up to a higher value as a result of increases in fair value. The Association will apply the equity method of accounting to the new cost basis by recording the share of subsequent income or loss of the investee.

Any impairment loss recognized forms part of the carrying amount of the investment (new cost basis). An impairment loss is recognized if deemed to be an other than temporary impairment (OTTI).

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments Accounted for Using the Equity Method (Continued)

The Association discontinues the use of the equity method from the date when the Association ceases to have significant influence over an entity. When the Association retains an interest in the former entity, the Association measures the retained interest at fair value at that date. The difference between the carrying amount of the entity at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the investee is included in the determination of the gain or loss on disposal of the investee.

When an entity transacts with an investee, profits and losses resulting from the transactions with the investee are recognized in the Association's financial statements only to the extent of interests in the investee that are not owned by the Association.

On October 31, 2023, Whitethorne was sold in its entirety to a third-party purchaser. As a result of this transaction, the Association was allocated a total payout of \$10,000 for their ownership interest in Whitethorne. As of August 31, 2025, \$8,772 of this total payout has yet to be received.

Investments

In accordance with FASB ASC 958-320, "*Accounting for Certain Investments Held by Not-for-Profit Organizations*", investments in debt and equity securities are reported at fair value on the statement of financial position with the net appreciation (depreciation) in the fair value investments, which consists of realized and unrealized gains or losses on those investments, presented in the statement of activities in accordance with donor restrictions as investment income (loss), net. Investment income is presented net of investment fees.

The Association accounts for its investments on a trade date basis. The average cost method is primarily used to determine the basis for computing realized gains and losses.

The carrying value of the Association's investments in nonmarketable securities without readily determinable fair values are accounted for using the measurement alternative in accordance with ASC 321. Under this method, such investments are carried at cost, less impairment, if any, and adjusted for observable price changes in orderly transactions for the identical or similar securities of the same issuer.

Investments in nonmarketable securities consist of equity securities of a private foundation (Rudolf Steiner Foundation, "RSF") and a retailer. Nonmarketable investments are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management considers both qualitative and quantitative factors in assessing impairment, including the investee's financial condition, operating performance, and recent market transactions.

Investment returns (including realized and unrealized gains and losses on investments, interest and dividends, net of related investment management fees) is included in the statement of activities as increases or decreases in net assets without restriction unless donor or law restricts the income or loss. The Association's RSF investment earned approximately 1% interest for the years ended August 31, 2025 and 2024 and can be liquidated without penalty on a quarterly basis.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with these securities and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the statement of financial position and the statement of activities.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

Investments are measured at fair value on a recurring basis. In accordance with FASB ASC 820, fair value measurements are identified as Level 1, Level 2, or Level 3. Level 1 fair value is based on quoted prices in active markets for identical assets/liabilities. Level 2 fair value is based on significant other observable inputs. Level 3 fair value is based on significant unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

- Equity securities are principally valued at the regular trading session closing price on the exchange market in which such securities are principally traded, using the market approach.
- Fixed income securities are recorded at their current quoted fair market value and represented quoted prices for identical assets in markets that are not active.
- Mutual fund investments are principally valued at the regular trading session closing price on the exchange market in which such mutual funds are principally traded, using the market approach.
- Certificates of deposit are recorded using market inputs such as current interest rates for comparable deposits.

The Association believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Land, Buildings, Equipment and Depreciation

Property assets are those assets used in the operations and recorded at cost, or if donated, at the estimated fair market value at the date of donation. Depreciation is recorded using the straight-line method at various rates calculated to allocate the cost of the respective items over their useful lives.

The Association reviews assets carrying amounts whenever events or circumstances indicate that such carrying amount may not be recoverable. If considered impaired, the carrying amount of the asset is reduced to its current fair value.

Leases

The Association determines if an arrangement is a lease at inception. Right-of-use ("ROU") assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease may include renewal and termination options, which are included in the lease term when the Association is reasonably certain to exercise these options.

For all underlying classes of assets, the Association has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Association is reasonably certain to exercise. The Association recognizes fixed short-term lease cost on a straight line basis over the lease term and variable lease cost in the period in which the obligation is incurred.

The Association elected for all classes of underlying assets to not separate the lease and non-lease components of a contract and to account for as a single lease component.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

In evaluating contracts to determine if they qualify as a lease, the Association considers factors such as if the Association obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purposes the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Concentrations of Credit Risk

Financial instruments that potentially expose the Association to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Cash is maintained at Federal Deposit Insurance Corporation (FDIC) insured financial institutions. The Association has not experienced any losses on its cash.

As of August 31, 2025, the Association's cash balances at financial institutions exceeded FDIC insurance limits by approximately \$712,200. Based on management's review of the strength of the financial institutions they believe the risk of loss on its cash balances are minimal.

The Association had \$20,442 and \$16,866 restricted for endowment classified as long-term at August 31, 2025 and 2024, respectively.

Amounts billed to students that have not been collected that also meet the conditions for unconditional right to payment are presented as accounts receivable. The Association writes off accounts receivable once it has exhausted its collection efforts and deems an account to be uncollectible. A provision for credit losses is established in accordance with ASC 326. Collateral is not required. Management bills the student two months prior to the opening of each school year. Generally, if tuition for the preceding school term has not been fully paid, the student is denied matriculation.

The Association reviews all outstanding pledges as of the end of the fiscal year for collectability. Reserves are established when management has determined that collection is not probable taking into account payment history and conversations with the donors.

The Association records billed and unbilled receivables from grants in accordance with the terms of the related agreements. Payments on grants are dependent on the third parties' ability to pay.

Endowments

In July 2006, the Uniform Law Commission (ULC) approved the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as a modernized version of the Uniform Management of Institutional Funds Act of 1972 (UMIFA), the model act, in which most states and the District of Columbia have based their primary laws governing the investment and management of donor-restricted endowment funds by not-for-profit organizations. New York State adopted its version of UPMIFA in September 2010.

FASB ASC 958-205, "*Endowments of Not-for-Profit Organizations*" provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. This standard also improved disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are generally expensed as incurred. Advertising and promotional expense was \$79,710 and \$116,676 for the years ended August 31, 2025 and 2024, respectively.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, including employee benefits and payroll taxes, repairs and maintenance, utilities, telephone, insurance, and depreciation are allocated by management using an allocation methodology based on estimated time worked by personnel in each category. Management believes these allocations have been made on a reasonable basis. All other expenses are reported to each program and support function based on actual expenses incurred.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Association's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, contributions received for the acquisition of long-lived assets, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Risks and Uncertainties

In April 2020, the Association received a loan in the amount of \$1,369,976 from its bank through the Small Business Administration's (SBA) Paycheck Protection Program (PPP). In June 2021, the loan, including principal and interest, was forgiven and considered repaid in full.

According to the rules of the SBA, the Association is required to retain PPP loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Association's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Association may be required to adjust previously reported amounts and disclosures in the financial statements.

Subsequent Events

Subsequent events have been evaluated through February 3, 2026, which is the date the financial statements were available to be issued.

On October 15, 2025, the Association entered into a loan agreement with Partners for Climate Action Hudson Valley, a fiscally sponsored project of The New World Foundation, to borrow \$1,000,000 to address short-term cash flow needs related to the timing of anticipated funding from the New York State Energy Research and Development Authority (NYSERDA). There is no interest payable on the outstanding principal, and the loan is due in full on March 31, 2026.

On October 31, 2025, the Association entered into a promissory note with the Bank of Greene County that is collateralized by a vehicle purchased with the note. The note requires monthly payments of \$1,646 commencing on December 1, 2025, through November 1, 2029. The interest rate on the loan is fixed at 5.99%.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following as of August 31:

	<u>2025</u>	<u>2024</u>
Accounts receivable	\$ 339,329	\$ 299,682
Allowance for credit losses	<u>(78,717)</u>	<u>(78,717)</u>
Net accounts receivable	<u>\$ 260,612</u>	<u>\$ 220,965</u>

Accounts receivable are reported net of provisions for credit losses.

As of September 1, 2023, the amount of gross accounts receivable and allowance for credit losses totaled \$305,154 and (\$77,000), respectively.

NOTE 4 – INVESTMENTS

Investments are comprised of the following as of August 31, 2025:

	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Ending Value</u>
<i>At Fair Value</i>			
Equities	\$ 682,226	\$ 89,034	\$ 771,260
Fixed Income Bonds	284,824	6,681	291,505
<i>At Measurement Alternative</i>			
Rudolf Steiner Foundation (RSF)	259,453	-	259,453
Retailer	4,609	-	4,609
	<u>\$ 1,231,112</u>	<u>\$ 95,715</u>	<u>\$ 1,326,827</u>

Investments are comprised of the following as of August 31, 2024:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Ending Value</u>
<i>At Fair Value</i>			
Mutual funds	\$ 956,508	\$ 66,197	\$ 1,022,705
Certificates of deposit	126,000	690	126,690
<i>At Measurement Alternative</i>			
RSF	256,952	-	256,952
Retailer	7,179	-	7,179
	<u>\$ 1,346,639</u>	<u>\$ 66,887</u>	<u>\$ 1,413,526</u>

During the years ended August 31, 2025 and 2024, the Association recognized an unrealized gain of \$48,291 and \$33,655 respectively.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 4 – INVESTMENTS (Continued)

The Association’s financial assets stated at fair value, by the fair value hierarchy level, at August 31, 2025 include:

	Total	Level 1	Level 2
Equities	\$ 771,260	\$ 771,260	\$ -
Fixed income bond mutual funds	291,505	291,505	-
	<u>\$ 1,062,765</u>	<u>\$ 1,062,765</u>	<u>\$ -</u>

The Association’s financial assets stated at fair value, by the fair value hierarchy level, at August 31, 2024 include:

	Total	Level 1	Level 2
Mutual funds	\$ 1,022,705	\$ 1,022,705	\$ -
Certificate of deposit	126,690	-	126,690
	<u>\$ 1,149,395</u>	<u>\$ 1,022,705</u>	<u>\$ 126,690</u>

The following is a summary of activity reflected in the Association’s financial statements during the years ended August 31, 2025 and 2024 for RSF investment recorded at measurement alternative:

Balance at September 1, 2023	\$ 255,010
Interest income earned	1,942
Balance at August 31, 2024	<u>256,952</u>
Interest income earned	2,501
Balance at August 31, 2025	<u>\$ 259,453</u>

NOTE 5 – INVENTORIES

Inventories are comprised of the following as of August 31:

	2025	2024
Dairy	\$ 49,402	\$ 91,729
Store	449,921	443,466
Turose (school store)	63,881	61,835
Sauerkraut	4,218	3,021
Total Inventories	<u>\$ 567,422</u>	<u>\$ 600,051</u>

As of August 31, 2025 and 2024, the Dairy inventory is comprised of \$3,729 and \$23,825, respectively, of finished products, \$39,889 and \$62,287, respectively, of packaging materials, and \$5,784 and \$5,617, respectively, of raw materials; the Store, Turose, and Sauerkraut inventories are comprised entirely of finished products.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 6 – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, equipment and accumulated depreciation are comprised of the following as of August 31:

	<u>2025</u>	<u>2024</u>	<u>Useful Lives</u>
Land	\$ 619,275	\$ 619,275	N/A
Construction-in-process	1,742,972	206,654	N/A
Building and improvements	14,212,628	14,168,852	5 to 40 Years
Furniture and fixtures	179,947	186,954	5 to 7 Years
Equipment	2,328,163	2,005,942	3 to 10 Years
Vehicles	357,365	181,130	2 to 5 Years
	<u>19,440,350</u>	<u>17,368,807</u>	
Accumulated depreciation	(9,848,285)	(9,280,752)	
	<u>\$ 9,592,065</u>	<u>\$ 8,088,055</u>	

Depreciation expense was \$567,533 and \$540,346 for the years ended August 31, 2025 and 2024, respectively.

Construction-in-process consists of the following as of August 31:

	<u>2025</u>	<u>2024</u>
Equipment installations	\$ 96,672	\$ 63,037
Creamery renovations	-	143,617
Geothermal Conversion	1,646,300	-
	<u>\$ 1,742,972</u>	<u>\$ 206,654</u>

NOTE 7 – NOTES PAYABLE

Notes payable to individuals are comprised of \$411,000 and \$576,000 as of August 31, 2025 and 2024, respectively, which were received from various local individuals, foundations, and other entities. Notes payable to individuals are unsecured notes with various interest rates (2.00% to 3.00%) and maturity dates due between 2026 and 2027.

As of August 31, 2025, the aggregate minimum annual maturities of notes payable are as follows:

2026	\$ 261,000
2027	150,000
	<u>\$ 411,000</u>

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 8 – LONG-TERM DEBT

Long-term debt is comprised of the following as of August 31:

	<u>2025</u>	<u>2024</u>
NOVO Foundation - Note payable, maturing June 2027 (a)	\$ 207,185	\$ 350,062
The Bank of Greene County - Note Payable, maturing February 2031(b)	60,880	70,404
USDA - Note Payable, maturing September 2025 (c)	-	5,814
The Bank of Greene County - Note Payable, maturing April 2030 (d)	94,298	-
Total debts	<u>362,363</u>	<u>426,280</u>
Less: current maturities of long-term debt	175,844	158,214
Total long-term debt, net of current maturities	<u>\$ 186,519</u>	<u>\$ 268,066</u>

- a. The NOVO Foundation loan, which was amended in 2021, is collateralized by the Association's real property in the towns of Hillsdale, Austerlitz and Ghent in Columbia County, New York. The loan requires quarterly payments of principal and interest of \$38,317 through May 2027 with one final payment of principal and interest of \$21,630 to be made in June 2027. The interest rate for the loan is fixed at 3.50% per annum.
- b. The Bank of Greene County note payable is collateralized by real property. The note payable requires monthly payments of \$1,045 through February 2031. The interest rate on the loan is fixed at 4.50% per annum.
- c. United States Department of Agriculture note is collateralized by a building and equipment located at the property on Schnackenberg Road in Ghent, NY. The note payable requires annual payments of principal and interest of \$5,945 over the 7-year life of the note commencing on the anniversary date of the note payable, which was September 17, 2017. The interest rate for the note is fixed at 2.25% per annum.
- d. The Bank of Greene County note payable is collateralized by the vehicle purchased with the note. The note payable requires monthly payments of \$1,951 through April 1, 2030. The interest rate on the loan is fixed at 6.375% per annum.

At August 31, 2025, the aggregate minimum annual maturities of long-term debt are as follows:

2026	\$ 175,844
2027	88,799
2028	31,305
2029	33,184
2030	25,628
Thereafter	<u>7,603</u>
Total	<u>\$ 362,363</u>

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 8 – LONG-TERM DEBT (Continued)

The Association has the following lines of credit available at August 31, 2025:

Bank	Amount of Line	Unused	Interest Rate	Collateral	Maturity
Bank of Greene County	\$ 500,000	\$ 500,000	Prime + 1% *	All assets	6/1/2026
Key Bank	175,000	175,000	Prime + 1% *	None	None
Bank of Greene County	30,000	30,000	Prime + 2% *	All assets	6/1/2026

* "Prime" - Wall Street Journal Prime Rate (8.25% and 8.50% as of August 31, 2025 and 2024, respectively).

No balances were outstanding on any lines of credit as of August 31, 2025 and 2024.

NOTE 9 – EMPLOYEE BENEFITS PLAN

Retirement Plan

HVA sponsors "Hawthorne Valley Association Retirement Plan" a tax deferred annuity plan defined under Code Section 403(b) (1) of the Internal Revenue Code. HVA has the option of making matching contributions. The contributions are discretionary and the amount of any matching contributions can be determined separately for each division of HVA. During the years ended August 31, 2025 and 2024, HVA contributed \$184,516 and \$171,338, respectively, which were a payable at each year-end.

Medical Plan

HVA has a partially self-insured health insurance program that covers all eligible employees. The plan is liable for up to \$7,500 per year per covered person, \$15,000 per family. The Association pays 100% of the claims up to \$6,000 after the employee reaches a deductible \$500 single and \$1,200 family. A third-party insurance policy covers all claims above these limits. The medical plan is funded by contributions from the various departments within HVA. HVA also covers 70% of any employee out-of-pocket costs in excess of \$500 deductible up to \$5,000 and 100% of employee out-of-pocket costs from \$5,000 to \$7,500. The medical plan expense, including insurance claims paid, for the years ended August 31, 2025 and 2024 was \$942,787 and \$778,669, respectively.

Dental and Life Plan

HVA has a dental plan and life insurance plan for all eligible employees. Life insurance coverage is for \$50,000. Total dental and life insurance premiums for the years ended August 31, 2025 and 2024 was \$86,030 and \$96,937, respectively.

NOTE 10 – OPERATING LEASES

The Association had various operating leases during the years ended August 31, 2025 and 2024, respectively, including one operating lease for a vehicle, four property leases and two leases for office equipment.

The vehicle lease is leased on a month-to-month basis. The vehicle lease expense for 2025 and 2024 was \$16,919 and \$28,486, respectively, and is included as a component of "vehicle repairs, fuel and rentals" on the statement of functional expenses.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 10 – OPERATING LEASES (Continued)

The Association leased a building and property from the Town of Ghent, New York, with monthly payments of \$1,750 for the year ended August 31, 2024. The lease expired on May 31, 2024 and was not renewed. The Association also leased property from a local farm in the Town of Ghent, New York, with an annual lease payment for \$1,300 for the year ended August 31, 2024. This lease expired on August 31, 2024 and was not renewed. The Association also leased property used by the School from its neighbor. The lease operated from September 1, 2021 to August 31, 2023 on two separate twelve-month lease agreements, both with an annual payment of \$1,500. A new twelve-month lease was entered into with the neighbor for the same property at the same rate on September 1, 2024. The Association’s final property lease is in the Town of Hillsdale, New York on a month-to-month basis. Monthly rent of \$2,050 was paid on the lease.

The Association also has copier leases. The Association had two copier leases that expired in December 2024 with total monthly payments of \$1,160, which were treated as an operating lease. A new copier lease began on January 29, 2024 and is set to terminate on March 29, 2028, with monthly payments of \$737. This lease is treated as an operating lease, as the Association does not intend to exercise the option available to purchase the copier upon maturity.

The components of total lease cost for the year ended August 31, are as follows:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 8,846	\$ 10,536
Short-term lease cost	66,882	66,165
Total lease cost	<u>\$ 75,728</u>	<u>\$ 76,701</u>

Maturities of lease liabilities as of August 31, 2025 are as follows:

2026	\$ 8,846
2027	5,160
	<u>\$ 14,006</u>

The Association entered into a network lease agreement with Mid-Hudson Fiber Corp effective September 1, 2025. The agreement provides for the use of fiber network infrastructure for an initial term of 10 years with annual payments of \$1,100 per month for the first year, with annual increases of 1% each year.

NOTE 11 – NET ASSETS - MEDICAL RESERVES

The Association created a medical reserve fund to cover the medical plan and dental plan insurance expenses incurred as employee benefits. Each year, amounts are budgeted to be covered by each department (the “inflows”) and actual insurance expenses (the “outflows”) are paid out of those inflows. Any remaining amount is maintained in the fund for future use.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 11 – NET ASSETS - MEDICAL RESERVES (Continued)

The following shows the activity for the medical reserve for the years ended August 31:

Inflows:	2025	2024
Inter-departmental premiums received	\$ 1,096,067	\$ 888,283
Total inflows	1,096,067	888,283
Outflows:		
Medical plan expenses	765,728	625,759
Self insurance claims paid	177,059	152,910
Dental plan expenses	86,030	96,937
Administrative costs	24,987	28,508
Total outflows	1,053,804	904,114
Total changes in net assets	42,263	(15,831)
Beginning medical reserve net assets for unpaid claims	281,770	297,601
Ending medical reserve net assets for unpaid claims	\$ 324,033	\$ 281,770

NOTE 12 – NET ASSET WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist for the following purposes as of August 31:

	2025	2024
Subject to the passage of time	\$ 1,160,000	\$ 320,000
Subject to expenditure for specified purpose:		
Education	61,858	59,084
Research	92,338	103,598
Other	32,414	31,320
Net Positive	-	768,180
Geothermal	541,303	-
	1,887,913	1,282,182
Subject to the Association's spending policy and appropriation:		
Unspent endowment earnings	225,581	162,283
Donor restricted endowments (subject to spending policy and appropriations, net of accumulated earnings of \$225,581 and \$162,283, respectively):		
Investment in perpetuity	673,412	673,412
Total net assets with donor restriction	\$ 2,786,906	\$ 2,117,877

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 12 – NET ASSET WITH DONOR RESTRICTIONS (Continued)

Releases from donor restricted net assets for the year ended August 31, are as follows:

	2025	2024
Subject to expenditure for specified purpose:		
Education	\$ 9,201	\$ 600
Research	17,036	24,530
Other	472	14,840
Net Positive	768,180	-
Subject to the passage of time:		
Grants receivable	300,000	500,000
Pledge receivable	20,000	20,000
Total releases from restrictions	\$ 1,114,889	\$ 559,970

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS – ENDOWMENT FUNDS

The Association’s endowment consists of one fund held with an institutional investment company. The endowment includes donor-restricted endowment funds which are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees of the Association has interpreted the New York State Prudent Management of Institutional Funds Act (“NYSPMIFA”) 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 Association classifies as net assets with donor restrictions (a) the original value of gifts donated to permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. With the adoption of NYSPMIFA during 2010, investment returned (dividends and interest, realized and unrealized appreciation or depreciation) net or related investment management fees on the endowment fund investments are classified as net assets with donor restrictions. If the Board of Trustees decides that operating cash flows are sufficient to cover the annual scholarships and tuition assistance, earnings are generally reinvested. Periodically, the Board of Trustees will appropriate a portion of the accumulated earnings for expenditure based on the Association’s spending policy. To the extent the fair value of endowment assets is lower than the original corpus (historic dollar amount) of the gifts permanently restricted, the Association does not spend annual investment return.

The Association reinvests realized earnings until the realized earnings accumulate to a reasonable amount above the original historic dollar amount. To the extent endowments are “underwater”, unrestricted net assets are adjusted for such unrealized and realized investment return annually.

Return Objectives and Risk Parameters

The Association’s Board of Trustees has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to supplement annual third-party contributions and maintain the purchasing power of the endowment assets. Under this policy, as approved by the investment committee, the endowment assets are invested in a manner that is intended to produce results that compare to the price and yield results of the S&P 500 while assuming a moderate level of investment risk. The Association expects its endowment fund, over time, to provide an average rate of return sufficient to cover the Organization’s spending plan over the long-term.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS – ENDOWMENT FUNDS (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association 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 Association targets a diversified asset allocation that provides a mixture of equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a policy of reinvesting dividends and interest income earned on an annual basis as long as unrestricted donations received for support and the School's operating cash flows are sufficient to cover annual financial aid awarded. Earnings are also reinvested to the extent investments are below their historic dollar amounts. The Association's investment committee reviews the fair market value of endowment investments plus reinvested unspent income in relationship to the funds historic dollar amount to further ensure investment growth. In establishing this policy, the Association considers the long-term expected return on its endowment. Accordingly, over the long-term, the Association expects the current spending policy to allow its endowment to grow. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Endowment composition by type of fund as of August 31, 2025 is:

	<u>With Donor Restriction</u>
Donor-restricted endowment funds:	
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	\$ 673,412
Accumulated investment gains	225,581
Total donor-restricted endowment funds	<u>\$ 898,993</u>

Endowment composition by type of fund as of August 31, 2024 is:

Donor-restricted endowment funds:	
Original donor-restricted gift amounts and amounts required to be maintain in perpetuity by donor	\$ 673,412
Accumulated investment gains	162,283
Total donor-restricted endowment funds	<u>\$ 835,695</u>

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS – ENDOWMENT FUNDS (Continued)

Change in endowment net assets for the years ended August 31, 2025 and 2024 is as follows:

	With Donor Restriction
Beginning balance, September 1, 2023	\$ 791,901
Investment returns, net	35,635
Reclassifications into the endowment	8,159
Beginning balance, August 31, 2024	<u>835,695</u>
Investment returns, net	63,298
Ending balance, August 31, 2025	<u><u>\$ 898,993</u></u>

On February 1, 2020, the Board resolved to provide a \$600,000 loan from the main Association department to the School department. The funds for this loan were provided from the endowment. The inter-department loan accrues interest at a fixed rate of 1.5% per annum and matures on February 1, 2033. The loan accrued interest only for the first 2 years of the loan after which 10 annual payments of principal and interest of \$65,060 are made to the Association thereafter until maturity. The first principal payment of \$56,059 was made during the year ended August 31, 2023. A second principal payment totaling \$56,902 was made during the year ended August 31, 2024. A third principal payment totaling \$81,255 was made during the year ended August 31, 2025.

During the years ended August 31, 2025 and 2024, interest of \$7,306 and \$8,159 was paid on the loan, respectively. The interest was classified as a reclassification from net assets without donor restrictions to net assets with donor restrictions – endowment in accordance with the agreement.

Endowment fund balance is comprised of the following as of August 31:

	2025	2024
Investments	\$ 484,246	\$ 331,790
Inter-department loan	405,783	487,039
Cash and cash equivalents - restricted for endowment	8,964	16,866
	<u>\$ 898,993</u>	<u>\$ 835,695</u>

NOTE 14 – BUSINESS ENTERPRISES AND UNRELATED BUSINESS INCOME TAXES

During the years ended August 31, 2025 and 2024, the Association was involved with several different business activities considered to be unrelated to its not-for-profit mission. These activities consist of the operations related to an on-site farm, creamery, greenmarket, bakery, and store. The income generated from these activities net of related expenses is subject to income taxes per the Internal Revenue Code at the applicable corporate income tax rate for the fiscal year.

For the years ended August 31, 2025 and 2024, respectively, these business activities operated with a net loss and therefore no income taxes were assessed for the year.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 15 – RELATED PARTY

On December 11, 2021, the Association entered into a note receivable arrangement with one of its employees for a \$25,000 mortgage note the Association provided to the employee. The note has a maturity date of December 11, 2031, and is to be received in monthly installments of \$230 of principal and interest from the employee through maturity, with interest charged at 2.00% per annum. The balance still owed on the note was \$0 and \$18,616 as of August 31, 2025 and 2024, respectively, with the Association receiving \$18,616 and \$2,361 of cash receipts on the note during the years ended August 31, 2025 and 2024, respectively.

On June 11, 2025, the Association entered into a note payable arrangement with one of its employees for a \$100,000 promissory note the employee provided to the Association. The note has a maturity date of December 11, 2025, and is to be paid in a lump sum upon maturity, with interest charged at 4% per annum. The balance still owed on the note was \$100,000 as of August 31, 2025.

NOTE 16 – LIQUIDITY

The Association's financial assets available within one year of August 31, 2025 for general expenditure are as follows:

Current financial assets at year-end:	
Cash and cash equivalents	\$ 1,136,064
Investments - nonmarketable securities	259,453
Investments, at fair value	569,555
Accounts receivable, net	260,612
Grants receivable	580,000
Total financial assets	<u>2,805,684</u>
Less: Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	<u>(1,307,913)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,497,771</u>

The Association's financial assets have been reduced by amounts not available for general use because of donor-imposed restrictions within one year of August 31, 2025.

The Association's endowment funds consist of donor-restricted endowments. Earnings on the donor-restricted endowments are available for the Association's use, but are subject to the Association's spending and investment policies.

During the year ending August 31, 2026, the Association recognized certain funding from governmental renewable energy incentives related to the Association's Geothermal conversion renewable energy project. This includes an approximately \$525,000 conditional grant from the New York State Energy Research and Development Authority (NYSERDA) and an estimated refundable federal tax credit of approximately \$824,181. Management expects these amounts, once realized, to provide additional liquidity to fund related capital improvements incurred during the year ended August 31, 2025.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 16 – LIQUIDITY (Continued)

As part of the Association’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition to the financial assets shown above, the Association also has several lines of credit with available balances that it can draw upon for financing purposes should the need arise. See Note 8 for a description of these lines of credit and the amount of unused funds on each available line of credit as of August 31, 2025.

NOTE 17 – INCOME TAXES

For the years ended August 31, 2025, and 2024, the Association recognized no current or deferred income tax expense or benefit related to the components of income tax.

The Association had gross deferred tax assets (liabilities) as of August 31:

	2025	2024
<i>Deferred tax asset</i>		
Net operating losses	\$ 245,160	\$ 145,115
Total gross deferred tax assets	245,160	145,115
Less: Valuation allowance	(40,763)	-
Total gross deferred tax assets (net of valuation allowance)	\$ 204,397	\$ 145,115
<i>Deferred tax liability</i>		
Depreciation	(204,397)	(145,115)
Total gross deferred tax liabilities	(204,397)	(145,115)
Net deferred tax asset/liability	\$ -	\$ -

The Association had Federal and New York State net operating loss carryforwards of \$245,160 and \$145,115 as of August 31, 2025 and 2024, respectively, related to its Store, Farm, Bakery, Greenmarket and Dairy operations. The Association has recorded a full valuation allowance against the net deferred tax asset, resulting in no net deferred tax asset or liability recorded as of August 31, 2025. The net change in the valuation allowance was an increase of \$40,763 during the year ended August 31, 2025. These net operating losses carryforward indefinitely for federal purposes and expire in the year ending August 31, 2038, for New York State purposes. The Association plans to make consistent estimated payments on the taxes it owes when applicable from the Store, Farm, Bakery, and Greenmarket sales it earns throughout the year.

The difference between the federal statutory income tax rate and the Association’s effective tax rate is attributable to the Association’s incurred losses from its unrelated business activities during the year ended August 31, 2025, resulting in net operating loss carryforwards. Deferred tax assets arising from these net operating losses were offset by a valuation allowance, as management determined it is more likely than not that the deferred tax assets will not be realized due to uncertainty in generating sufficient future taxable unrelated business income. As a result, no current or deferred income tax expense or benefit was recognized for the year ended August 31, 2025, and the Association’s effective tax rate for the year was 0%.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 18 – PURCHASE COMMITMENT

The Association entered into a Purchase Agreement dated March 2, 2025, to acquire residential improvements located on land owned by the Association. Under the Agreement, the seller retains occupancy and responsibility for maintaining the premises until Closing, which occurs upon (1) the seller's death or (2) the seller vacating the premises for more than 180 days, and only after the Association pays the full contractual purchase price of \$448,500.

Under ASC 440-10, "*Commitments*", this arrangement represents a purchase commitment with no present obligation to pay until Closing occurs, as Closing is contingent upon future events and the Association has not yet obtained control of the improvements as of August 31, 2025. No liability has been recorded as of August 31, 2025.

During 2025, the Association made nonrefundable purchase installments of \$2,250 per month, which reduce the remaining purchase price. As of August 31, 2025, the Association has recorded \$13,500 within Deposits on the Statement of Financial Position and Purchase deposits for land, building, and equipment on the Statement of Cash Flows. The remaining purchase commitment was \$435,000 as of August 31, 2025.

HAWTHORNE VALLEY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2025 and 2024

NOTE 19 – ALKION

The Association is required to present and disclose the balances of its Alkion program as required by the New York State Education Department’s Bureau of Proprietary School Supervision.

The following table presents the balances for the Alkion program for the years ended August 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 1,758
Accounts receivable	10,278	14,996
Property and equipment, net	-	-
Total assets	<u>\$ 10,278</u>	<u>\$ 16,754</u>
LIABILITIES		
Accounts payable	\$ 10,928	\$ -
Deferred revenue	6,800	6,680
Total liabilities	<u>17,728</u>	<u>6,680</u>
NET ASSETS		
Net assets without donor restrictions	<u>(7,450)</u>	10,074
Total net assets	<u>(7,450)</u>	10,074
Total liabilities and net assets	<u>\$ 10,278</u>	<u>\$ 16,754</u>
REVENUES		
Tuition	\$ 135,447	\$ 133,443
Fees	3,022	2,446
Less: Student refunds	(6,180)	-
Less: Tuition discounts	(6,750)	(6,379)
Tuition and fees, net	<u>125,539</u>	<u>129,510</u>
Donations	<u>21,515</u>	<u>17,600</u>
Total revenues	<u>147,054</u>	<u>147,110</u>
EXPENSES		
Salaries and wages	109,600	102,579
Payroll taxes	8,293	7,783
Employee benefits	3,981	2,529
Non-employee compensation	5,046	7,590
General and administrative	24,588	24,544
Supplies	2,115	4,259
Marketing	6,008	2,788
Dues and subscriptions	4,619	3,465
Travel	-	-
Conferences and meetings	428	896
Credit loss	(100)	(403)
Total expenses	<u>164,578</u>	<u>156,030</u>
Change in net assets	<u>\$ (17,524)</u>	<u>\$ (8,920)</u>