



Financial Statements

For

**NATIVITY ACADEMY AT ST.
BONIFACE, INC.**

For the Years Ended June 30, 2023 and 2022
with Report of Independent Auditors

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Report of Independent Auditors

To the Board of Directors
Nativity Academy at St. Boniface, Inc.
Louisville, Kentucky

Opinion

We have audited the financial statements of Nativity Academy at St. Boniface, Inc. (Nativity), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 Nativity as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Nativity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Nativity'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 Nativity'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 Nativity'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.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
November 10, 2023

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Statements of Financial Position

June 30, 2023 and 2022

| Assets | <u>2023</u> | <u>2022</u> |
|---------------------------------------------|----------------------------|----------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 1,165,889 | \$ 757,214 |
| Grants and accounts receivable | 52,202 | 74,094 |
| Inventory | - | 1,985 |
| Prepaid expenses | 23,302 | 4,523 |
| Investments | <u>1,577,188</u> | <u>1,485,094</u> |
| Total current assets | 2,818,581 | 2,322,910 |
| Property and equipment, net | <u>321,125</u> | <u>314,878</u> |
| Total assets | <u>\$ 3,139,706</u> | <u>\$ 2,637,788</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 88,863 | \$ 71,139 |
| Net assets: | | |
| Without donor restrictions: | | |
| Available for operations | 1,190,255 | 986,196 |
| Invested in property and equipment, net | <u>321,125</u> | <u>314,878</u> |
| Total net assets without donor restrictions | 1,511,380 | 1,301,074 |
| With donor restrictions | <u>1,539,463</u> | <u>1,265,575</u> |
| Total net assets | <u>3,050,843</u> | <u>2,566,649</u> |
| Total liabilities and net assets | <u>\$ 3,139,706</u> | <u>\$ 2,637,788</u> |

See accompanying notes to the financial statements.

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Statements of Activities

Years ended June 30, 2023 and 2022

| | 2023 | | | 2022 | | |
|---------------------------------------|-------------------------------|----------------------------|--------------|-------------------------------|----------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue, support and gains: | | | | | | |
| Contributions and grants | \$ 556,665 | \$ 364,346 | \$ 921,011 | \$ 542,162 | \$ 153,092 | \$ 695,254 |
| Sponsored scholarships | 478,357 | 206,750 | 685,107 | 514,811 | 101,300 | 616,111 |
| Program and activity fees | 89,304 | - | 89,304 | 91,371 | - | 91,371 |
| Net investment return (loss) | 59,922 | 80,686 | 140,608 | (81,176) | (169,104) | (250,280) |
| In-kind contributions | 17,268 | - | 17,268 | 13,200 | - | 13,200 |
| Special events | 177,180 | - | 177,180 | 174,470 | - | 174,470 |
| Loss on disposal of assets | - | - | - | (1,911) | - | (1,911) |
| Net assets released from restrictions | 377,894 | (377,894) | - | 102,171 | (102,171) | - |
| Total revenue, support and gains | 1,756,590 | 273,888 | 2,030,478 | 1,355,098 | (16,883) | 1,338,215 |
| Expenses: | | | | | | |
| Program services | 1,016,243 | - | 1,016,243 | 921,888 | - | 921,888 |
| Management and general | 285,976 | - | 285,976 | 264,044 | - | 264,044 |
| Fundraising | 244,065 | - | 244,065 | 180,684 | - | 180,684 |
| Total expenses | 1,546,284 | - | 1,546,284 | 1,366,616 | - | 1,366,616 |
| Change in net assets | 210,306 | 273,888 | 484,194 | (11,518) | (16,883) | (28,401) |
| Net assets, beginning of year | 1,301,074 | 1,265,575 | 2,566,649 | 1,312,592 | 1,282,458 | 2,595,050 |
| Net assets, end of year | \$ 1,511,380 | \$ 1,539,463 | \$ 3,050,843 | \$ 1,301,074 | \$ 1,265,575 | \$ 2,566,649 |

See accompanying notes to the financial statements.

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Statements of Functional Expenses

Years ended June 30, 2023 and 2022

| | 2023 | | | | 2022 | | | |
|-----------------------------------|---------------------|------------------------|-------------------|---------------------|-------------------|------------------------|-------------------|---------------------|
| | Program Services | Management and General | Fundraising | Total | Program Services | Management and General | Fundraising | Total |
| Salaries | \$ 541,622 | \$ 111,266 | \$ 104,404 | \$ 757,292 | \$ 518,774 | \$ 81,888 | \$ 64,396 | \$ 665,058 |
| Payroll tax and benefits | 117,832 | 24,257 | 22,782 | 164,871 | 115,525 | 17,860 | 14,045 | 147,430 |
| Professional fees | 26,770 | 78,488 | 19,500 | 124,758 | - | 140,890 | - | 140,890 |
| Occupancy | 36,461 | 42,617 | 961 | 80,039 | 36,985 | 973 | 973 | 38,931 |
| Instructional supplies/fieldtrips | 72,954 | 1,434 | 695 | 75,083 | 52,825 | - | - | 52,825 |
| Special events expenses | - | - | 54,593 | 54,593 | - | - | 63,395 | 63,395 |
| Depreciation | 44,867 | 1,181 | 1,181 | 47,229 | 49,405 | 1,300 | 1,300 | 52,005 |
| Office expenses/supplies | 6,455 | 16,341 | 24,427 | 47,223 | 18,812 | 4,546 | 31,388 | 54,746 |
| Repairs and maintenance | 26,923 | 709 | 708 | 28,340 | 17,227 | 453 | 453 | 18,133 |
| Food service | 25,763 | - | - | 25,763 | 21,016 | - | - | 21,016 |
| Extended day expenses | 23,273 | - | - | 23,273 | 16,526 | - | - | 16,526 |
| Professional development | 17,619 | 367 | 272 | 18,258 | 24,823 | 904 | 36 | 25,763 |
| Insurance | 13,388 | 352 | 352 | 14,092 | 11,194 | 1,767 | 1,390 | 14,351 |
| Advertising | 849 | 325 | 12,868 | 14,042 | 1,090 | - | 1,866 | 2,956 |
| Rent expense (in-kind) | 12,540 | 330 | 330 | 13,200 | 12,540 | 330 | 330 | 13,200 |
| Telephone | 9,903 | 261 | 261 | 10,425 | 19,069 | 502 | 502 | 20,073 |
| Dues and memberships | 1,675 | 2,807 | 731 | 5,213 | 1,750 | 2,516 | 610 | 4,876 |
| Miscellaneous | 37,349 | 5,241 | - | 42,590 | 4,327 | 10,115 | - | 14,442 |
| Total expenses | \$ 1,016,243 | \$ 285,976 | \$ 244,065 | \$ 1,546,284 | \$ 921,888 | \$ 264,044 | \$ 180,684 | \$ 1,366,616 |

See accompanying notes to the financial statements.

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Statements of Cash Flows

Years ended June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------------------------------------------------------------|---------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 484,194 | \$ (28,401) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 47,228 | 52,005 |
| Loss on disposal of assets | - | 1,911 |
| Net realized and unrealized (gain) loss on investments | (79,990) | 328,502 |
| Increase (decrease) in cash due to changes in: | | |
| Grants and accounts receivable | 21,892 | 4,392 |
| Inventory | 1,985 | (564) |
| Prepaid expenses | (18,779) | (1,863) |
| Accounts payable and accrued expenses | <u>17,724</u> | <u>(1,623)</u> |
| Net cash provided by operating activities | 474,254 | 354,359 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (53,475) | (12,147) |
| Purchases of investments | (84,552) | (97,497) |
| Sales of investments | <u>72,448</u> | <u>13,007</u> |
| Net cash used in investing activities | <u>(65,579)</u> | <u>(96,637)</u> |
| Net change in cash and cash equivalents | 408,675 | 257,722 |
| Cash and cash equivalents, beginning of year | <u>757,214</u> | <u>499,492</u> |
| Cash and cash equivalents, end of year | \$ <u>1,165,889</u> | \$ <u>757,214</u> |

See accompanying notes to the financial statements.

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Notes to the Financial Statements

1. Description of the Organization

Nativity Academy at Saint Boniface, Inc., (Nativity) is a nonprofit organization located in Louisville, Kentucky. Nativity operates an independent Catholic middle school that transforms the lives of students who have a commitment to achievement and whose families demonstrate financial need.

2. Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), which requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by Nativity in the preparation of its financial statements.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Nativity and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions include the portion of expendable funds that are not subject to donor-imposed stipulations.

Available for Operations: These net assets represent the portion of expendable funds available for support in the operation of Nativity.

Invested in Property and Equipment, Net: These net assets represent cumulative resources expended for property and equipment, less the accumulated depreciation recorded on the assets.

Net Assets With Donor Restrictions include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Nativity treats donor-restricted contributions whose restrictions are met in the same reporting period as without donor restrictions support.

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less that are not designated for a specific purpose. Nativity has a concentration of credit risk in that it occasionally maintains cash deposits in financial institutions in excess of federally insured limits. Management considers it very unlikely that any loss will result from the cash balance in excess of federal insurance limits.

Investments

Investments are carried at fair value, generally determined by quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurement.

Nativity invests in various securities including mutual funds and money market funds. These investments are subject to the risks common to financial markets, including interest rate risks, credit risks, and overall market risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Gain (loss) on investments includes Nativity's gains and losses on investments bought and sold as well as held during the year.

Grants and Accounts Receivable

Management closely monitors outstanding balances, using such factors as prior collection history, type of contribution and nature of fundraising activity, to assess the need for any allowance for doubtful collections. Management has deemed all receivables to be fully collectible at June 30, 2023 and 2022.

Inventory

Inventory consists of cafeteria food and is valued at the lower of cost or net realizable value.

Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The cost of property and equipment purchased in excess of \$1,000 is capitalized.

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Property and Equipment, continued

Property and equipment are depreciated using the straight-line method over the estimated useful lives of assets, which are as follows:

| | |
|-------------------------|---------------|
| Building improvements | 10 - 30 years |
| Furniture and equipment | 2 - 10 years |
| Vehicles | 7 years |

Contributions and Grants

Contributions and grants are not reciprocal transactions and therefore are not accounted for under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. Instead these nonreciprocal transactions are accounted for in accordance with accounting guidance for contributions.

Contributions received are recorded as net assets without donor restrictions and net assets with donor restrictions, depending on the existence of any donor restrictions. Contributions that are restricted by donors are reported as net assets without donor restrictions, if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished, or both), net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the statements of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at their present value of estimated future cash flows.

Grant revenue is generally recognized upon the acceptance of a grant. In the event a grant has donor-imposed restrictions, revenue is recognized over the period in which the expense for which the grant was intended to compensate is incurred, so as to match the grant revenue with the related costs.

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Sponsored Scholarships

Sponsored scholarships are contributions used to cover the cost of program and activity fees for students. Sponsored scholarships are reported as increases in net assets with donor restrictions. When the program and activity fees are incurred the sponsored scholarships are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Sponsored scholarships are reported as increases to net assets without donor restrictions if the program and activity fees are incurred in the same reporting period.

Program and Activity Fees

Nativity recognizes revenue from program and activity fees over time or at the point in time when Nativity has otherwise satisfied its performance obligation and the other party has the right to receive and consume the benefit from the program or activity. Program and activities include instruction, student activities, cafeteria and other school programs.

In-Kind Contributions

Volunteers give significant amount of their time for the operation of Nativity. No amounts have been reflected in the financial statements for these donated services because they do not meet recognition criteria prescribed by GAAP. However, in-kind contributions primarily related to the lease of school and office space do meet the recognition criteria, are included as contributions in the financial statements, and are offset by any related expenses. The value of these in-kind contributions are based on management's estimate of the fair value of the contribution at the time of donation (see Note 8).

Special Events

Fundraising events are held throughout the year to raise money for the operation of Nativity. Nativity recognizes revenue from special events at the point in time when Nativity has otherwise satisfied its performance obligation and the other party has the right to receive and consume the benefit from the activity or the item received. Nativity receives certain items to be sold at its special event auctions. Contributed auction items are valued at the gross selling price received and are recorded in special events revenue. See details of special events at Note 10.

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The expenses are allocated based upon specific identification, except for salaries, payroll taxes and benefits, and insurance, which are allocated on the basis of estimated time and effort. Expenses related to occupancy, telephone, maintenance and depreciation are allocated based on approximate square footage.

Income Taxes

Nativity has been granted tax-exempt status by the Internal Revenue Service under Internal Revenue Code Section 501(c)(3) as a nonprofit organization that is not a private foundation. In addition Nativity qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Nativity is subject to income tax on certain unrelated business activity. No such income was generated for the years ended June 30, 2023 and 2022.

Adoption of New Accounting Standard

Effective July 1, 2022, Nativity adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and associated amendments. This standard requires all leases to be recognized on Nativity's statement of financial position as a right-of-use asset and a lease liability, unless the lease is a short-term lease (generally a lease with a term of twelve months or less). Nativity determined it had no significant leases requiring calculation of a right-of-use asset or lease liability.

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through November 10, 2023, the date that the financial statements were available to be issued.

Reclassifications

Certain amounts included on the statements of activities and functional expenses in the 2022 financial statements have been reclassified to conform to the 2023 presentation. Total assets, liabilities, net assets and changes in net assets remain unchanged.

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Notes to the Financial Statements, continued

3. Liquidity and Availability

Nativity regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. Financial assets available for general expenditure, which is without restrictions limiting their use, within one year of the financial position date are as follows at June 30, 2023:

| | |
|----------------------------------------------------|---------------------|
| Cash and cash equivalents | \$ 1,165,889 |
| Grants and accounts receivable | 52,202 |
| Investments | <u>1,577,188</u> |
| Financial assets | 2,795,279 |
| Less donor restricted assets | <u>(1,539,463)</u> |
| Financial assets available for general expenditure | <u>\$ 1,255,816</u> |

Nativity manages its liquidity and availability following two guiding principles: operating within a prudent range of financial soundness and stability, and maintaining adequate liquid assets to fund near-term operating needs.

4. Fair Value Measurement

Nativity classifies its investments measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The following methods and assumptions were used by Nativity in estimating the fair value of its investments. There were no changes in the methodologies used to measure fair value during the years ended June 30, 2023 and 2022.

Money market funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by Nativity are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by Nativity are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Nativity believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Notes to the Financial Statements, continued

4. Fair Value Measurement, continued

Fair value measurements of Nativity as of June 30, 2023 and 2022 are summarized as follows:

| <u>2023</u> | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-----------------------------|---------------------|---------------------|----------------|----------------|
| Money market funds | \$ 87,685 | \$ 87,685 | \$ - | \$ - |
| Mutual funds - fixed income | 627,356 | 627,356 | - | - |
| Mutual funds - equities | <u>862,147</u> | <u>862,147</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,577,188</u> | <u>\$ 1,577,188</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| <u>2022</u> | | | | |
| Money market funds | \$ 51,394 | \$ 51,394 | \$ - | \$ - |
| Mutual funds - fixed income | 626,499 | 626,499 | - | - |
| Mutual funds - equities | <u>807,201</u> | <u>807,201</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,485,094</u> | <u>\$ 1,485,094</u> | <u>\$ -</u> | <u>\$ -</u> |

Net investment return (loss) for the years ended June 30, 2023 and 2022 is as follows:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|-------------------|---------------------|
| Interest and dividends | \$ 72,083 | \$ 91,434 |
| Realized/unrealized gain (loss) | <u>79,990</u> | <u>(328,502)</u> |
| | 152,073 | (237,068) |
| Less: investment fees | <u>11,465</u> | <u>13,212</u> |
| Net investment return (loss) | <u>\$ 140,608</u> | <u>\$ (250,280)</u> |

5. Property and Equipment

Property and equipment consists of the following as of June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|-------------------|-------------------|
| Building improvements | \$ 453,343 | \$ 416,903 |
| Furniture and equipment | 193,074 | 176,039 |
| Vehicles | <u>47,988</u> | <u>47,988</u> |
| | 694,405 | 640,930 |
| Less accumulated depreciation | <u>373,280</u> | <u>326,052</u> |
| Property and equipment, net | <u>\$ 321,125</u> | <u>\$ 314,878</u> |

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Notes to the Financial Statements, continued

6. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|-----------------------------------------------|---------------------|---------------------|
| Subject to expenditure for specified purpose: | | |
| Sponsored scholarships | \$ 206,750 | \$ 101,300 |
| Programs | <u>414,573</u> | <u>289,374</u> |
| | 621,323 | 390,674 |
| Endowment | <u>918,140</u> | <u>874,901</u> |
| Total net assets with donor restrictions | <u>\$ 1,539,463</u> | <u>\$ 1,265,575</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|-------------------|-------------------|
| Satisfaction of purpose restrictions: | | |
| Sponsored scholarships | \$ 101,300 | \$ 76,671 |
| Programs | <u>239,147</u> | 25,500 |
| Founders Fund | <u>37,447</u> | <u>-</u> |
| | <u>\$ 377,894</u> | <u>\$ 102,171</u> |

The Founders Fund assets with donor restrictions represent income derived from Founders Fund endowment investments (see Note 7).

7. Endowment Funds

Nativity's endowment net assets consists of the Founders Fund, which is comprised of donor restricted contributions to provide financial support from income derived from investments and to provide financial protection in the event of a serious cash shortage that would threaten continuing operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Commonwealth of Kentucky enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after enactment. Nativity is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds.

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Notes to the Financial Statements, continued

7. Endowment Funds, continued

Nativity has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Nativity classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment and 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 that is not classified in permanently restricted net assets is classified as temporarily restricted until appropriated for expenditure by Nativity. In accordance with UPMIFA Nativity 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 Nativity 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 Nativity
- 7) The investment policies of Nativity

Nativity has adopted investment and spending policies for endowment assets that attempt to preserve and protect its endowment assets, while earning a total return which will permit maximum financial support for the general operations of Nativity. Endowment assets include those assets of donor-restricted funds that Nativity must use for a donor-specified purpose as well as board-designated funds. Under this policy the endowment assets are invested in portfolios of equity securities (common stocks and convertible securities), fixed-income securities and short-term (cash and cash equivalents) investments within the specified ranges.

Nativity may take an annual distribution from the endowment funds of 4% of the value based on the average of the prior four quarters.

From time to time, the fair value of assets associated with board-designated and donor-restricted endowment funds may fall below the level that UPMIFA requires Nativity to retain as a fund of perpetual duration. For the year ended June 30, 2023, two funds with original gift value of \$307,909 and \$369,807, respectively, had fair values of \$286,224 and \$341,132, respectively, resulting in deficiencies of \$21,685 and \$28,675, respectively. These funds were reported in net assets with donor restrictions.

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Notes to the Financial Statements, continued

7. Endowment Funds, continued

As of and for the years ended June 30, 2023 and 2022, endowment investments consisted of the following:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|------------------------------------------------------|-------------------------------|----------------------------|-------------------|
| Endowment net assets, June 30, 2021 | \$ - | \$ 1,044,005 | \$ 1,044,005 |
| Investment loss | - | (169,104) | (169,104) |
| Endowment net assets, June 30, 2022 | - | 874,901 | 874,901 |
| Investment income | - | 80,686 | 80,686 |
| Appropriation of endowment assets for expenditure | - | (37,447) | (37,447) |
| Endowment net assets, June 30, 2023 | \$ - | \$ 918,140 | \$ 918,140 |

8. Related Party

Nativity leases school and office space from Saint Boniface Catholic Church (the Church) for \$1 per year. The agreement runs from July 1, 2015 through June 30, 2025, with one automatic renewal period of 10 years. The fair value of the lease was determined by management based on a 10-year lease agreement signed in 2015 and included as in-kind contributions in the financial statements in the amount of \$13,200 for both years ended June 30, 2023 and 2022, and is offset by rent expense of \$13,200 in both years.

9. Retirement Plan

Nativity participates in the Archdiocese of Louisville retirement plan, a defined contribution plan which provides retirement benefits for Nativity's participating employees. Nativity contributes 4% of each participating employee's compensation and additionally makes a matching contribution in the amount of 100% of the deferrals up to the first 2% of the participating employee's compensation plus 50% of the deferrals up to the next 2% of the participating employee's compensation. Nativity's contributions for the years ended June 30, 2023 and 2022 were \$36,706 and \$35,149, respectively.

NATIVITY ACADEMY AT ST. BONIFACE, INC.

Notes to the Financial Statements, continued

10. Special Events

Nativity held several fundraising events throughout the year. The gross revenue and direct costs of each are as follows for the years ended June 30, 2023 and 2022:

| | Gross Revenue | Direct Costs | Net |
|------------------------|------------------|--------------|------------|
| <u>2023</u> | | | |
| Golf scramble | \$ 20,310 | \$ 3,233 | \$ 17,077 |
| Auction | 127,830 | 41,509 | 86,321 |
| Associate Board | 4,090 | - | 4,090 |
| Raffle | 24,950 | 9,851 | 15,099 |
| | \$ 177,180 | \$ 54,593 | \$ 122,587 |
| <u>2022</u> | | | |
| Golf scramble | \$ 28,559 | \$ 10,890 | \$ 17,669 |
| Auction | 110,513 | 41,919 | 68,594 |
| Night Out for Nativity | 8,610 | 203 | 8,407 |
| Associate Board | 2,988 | - | 2,988 |
| Raffle | 23,800 | 10,383 | 13,417 |
| | \$ 174,470 | \$ 63,395 | \$ 111,075 |

11. Commitments and Contingencies

From time to time, Nativity may be involved in lawsuits arising in the ordinary course of its activities. Such lawsuits, in the opinion of management, would not have a material effect on Nativity's financial position, changes in net assets or cash flows.