



NATIVITY ACADEMY  
AT SAINT BONIFACE

**Nativity Academy At St.  
Boniface, Inc.**

Independent Auditors' Report

And Financial Statements

For the Years Ended

June 30, 2024 and 2023

Nativity Academy at St. Boniface, Inc.  
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## Independent Auditors' Report

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

### Opinion

We have audited the accompanying financial statements of Nativity Academy at St. Boniface, Inc. (Nativity), which comprise the statements of financial position as of June 30, 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 financial statements referred to above present fairly, in all material respects, the financial position of Nativity Academy at St. Boniface, Inc. as of June 30, 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nativity Academy at St. Boniface, Inc. 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 audit opinion.

### Prior Period Financial Statements

The financial statements of Nativity Academy at St. Boniface, Inc. as of June 30, 2023 were audited by other auditors whose report dated November 10, 2023 expressed an unmodified opinion on those statements.

### 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 Academy at St. Boniface, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditors' 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 auditors' 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 generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Academy at St. Boniface, 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 Nativity Academy at St. Boniface, 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.

***BaldwinCPAs, PLLC***

Baldwin CPAs, PLLC  
Louisville, Kentucky  
December 17, 2024

Nativity Academy at St. Boniface, Inc.  
Statements of Financial Position  
June 30, 2024 and 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,375,574	\$ 1,165,889
Grants and accounts receivable	13,384	52,202
Inventory	1,475	-
Prepaid expenses	18,382	23,302
Investments	1,778,432	1,577,188
Total current assets	3,187,247	2,818,581
Property and equipment, net	326,748	321,125
Right-of-use asset - finance lease, net	7,626	-
Total assets	<u>\$ 3,521,621</u>	<u>\$ 3,139,706</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 65,494	\$ 88,863
Lease liability - finance lease - current	1,397	-
Total current liabilities	66,891	88,863
Lease liability - finance lease - noncurrent	6,229	-
Total liabilities	73,120	88,863
Net Assets:		
Without donor restrictions:		
Available for operations	1,404,167	1,190,255
Invested in property and equipment, net	326,748	321,125
Total net assets without donor restrictions	1,730,915	1,511,380
With donor restrictions	1,717,586	1,539,463
Total Net Assets	3,448,501	3,050,843
Total Liabilities and Net Assets	<u>\$ 3,521,621</u>	<u>\$ 3,139,706</u>

Nativity Academy at St. Boniface, Inc.  
Statements of Activities  
For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains:						
Contributions and grants	\$ 536,242	\$ 308,532	\$ 844,774	\$ 556,665	\$ 364,346	\$ 921,011
Sponsored scholarships	546,376	154,095	700,471	478,357	206,750	685,107
Program and activity fees	44,535	14,973	59,508	89,304	-	89,304
Net investment return	121,623	122,686	244,309	59,922	80,686	140,608
Contributions of nonfinancial assets	13,200	-	13,200	17,268	-	17,268
Special events	211,576	2,000	213,576	177,180	-	177,180
Net Assets released from restrictions	424,163	(424,163)	-	377,894	(377,894)	-
Total revenue, support, and gains	1,897,715	178,123	2,075,838	1,756,590	273,888	2,030,478
Expenses:						
Program services	1,141,225	-	1,141,225	1,055,819	-	1,055,819
Management and general	275,893	-	275,893	245,360	-	245,360
Fundraising	261,062	-	261,062	245,105	-	245,105
Total Expenses	1,678,180	-	1,678,180	1,546,284	-	1,546,284
Change in Net Assets	219,535	178,123	397,658	210,306	273,888	484,194
Net assets, beginning of year	1,511,380	1,539,463	3,050,843	1,301,074	1,265,575	2,566,649
Net assets, end of year	<u>\$ 1,730,915</u>	<u>\$ 1,717,586</u>	<u>\$ 3,448,501</u>	<u>\$ 1,511,380</u>	<u>\$ 1,539,463</u>	<u>\$ 3,050,843</u>

See accompanying notes to the financial statements.

Nativity Academy at St. Boniface, Inc.  
Statements of Functional Expenses  
For the Years Ended June 30, 2024 and 2023

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 557,716	\$ 124,288	\$ 101,518	\$ 783,522	\$ 541,622	\$ 111,266	\$ 104,404	\$ 757,292
Professional fees	52,548	104,188	16,328	173,064	26,770	78,488	19,500	124,758
Payroll taxes and benefits	123,717	18,119	22,796	164,632	117,832	24,257	22,782	164,871
Special event expenses	-	121	85,893	86,014	-	-	54,593	54,593
Occupancy	78,072	2,055	2,054	82,181	76,037	2,001	2,001	80,039
Instructional supplies/fieldtrips	70,409	-	1,314	71,723	72,954	1,434	695	75,083
Transition assistance	57,761	-	-	57,761	8,252	-	-	8,252
Office expenses/supplies	13,065	10,021	23,864	46,950	6,455	16,341	24,427	47,223
Depreciation	43,232	1,137	1,137	45,506	44,867	1,181	1,181	47,229
Food service	37,526	-	-	37,526	25,763	-	-	25,763
Repairs and maintenance	31,542	830	830	33,202	26,923	709	708	28,340
Insurance	14,151	373	373	14,897	13,388	352	352	14,092
Rent expense (nonfinancial)	12,540	330	330	13,200	12,540	330	330	13,200
Telephone	11,583	305	305	12,193	9,903	261	261	10,425
Extended day expenses	12,148	-	-	12,148	23,273	-	-	23,273
Dues and memberships	1,996	3,060	945	6,001	1,675	2,807	731	5,213
Advertising	3,563	-	1,296	4,859	849	325	12,868	14,042
Professional development	154	1,031	803	1,988	17,619	367	272	18,258
Miscellaneous	19,502	10,035	1,276	30,813	29,097	5,241	-	34,338
Total expenses	<u>\$ 1,141,225</u>	<u>\$ 275,893</u>	<u>\$ 261,062</u>	<u>\$ 1,678,180</u>	<u>\$ 1,055,819</u>	<u>\$ 245,360</u>	<u>\$ 245,105</u>	<u>\$ 1,546,284</u>

See accompanying notes to the financial statements.

Nativity Academy at St. Boniface, Inc.  
Statements of Cash Flows  
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 397,658	\$ 484,194
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	45,506	47,228
Loss on the disposal of assets	4,250	-
Net realized and unrealized gain on investments	(161,161)	(79,990)
Increase (decrease) in cash due to changes in:		
Grants and accounts receivable	38,818	21,892
Inventory	(1,475)	1,985
Prepaid expenses	4,920	(18,779)
Accounts payable and accrued expenses	<u>(23,369)</u>	<u>17,724</u>
Net cash provided by operating activities	305,147	474,254
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(55,380)	(53,475)
Purchases of investments	(133,358)	(84,552)
Sales of investments	<u>93,276</u>	<u>72,448</u>
Net cash used by investing activities	<u>(95,462)</u>	<u>(65,579)</u>
Net change in cash and cash equivalents	209,685	408,675
Cash and cash equivalents, beginning of year	<u>1,165,889</u>	<u>757,214</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,375,574</u></u>	<u><u>\$ 1,165,889</u></u>
<b>Supplemental Disclosures</b>		
Noncash investing and financing activities:		
Right-of-use assets obtained in exchange for new finance lease liabilities	<u><u>\$ 7,626</u></u>	<u><u>\$ -</u></u>



Nativity Academy at St. Boniface, Inc.  
Notes to Financial Statements  
June 30, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies

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.

Basis of Accounting

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).

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with regards to financial statements of Not-for-Profit Organizations. Under this guidance, Nativity is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the net asset categories follows:

Net Assets without Donor Restrictions: 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.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Nativity Academy at St. Boniface, Inc.  
Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

Note 1 – 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.

Grants and Accounts Receivable

Grants and accounts receivable are stated at unpaid balances net of an allowance for credit losses. Receivables are considered impaired if payments are not received in accordance with the agreed-upon terms. Management considers the number of uncollectible receivables to be immaterial to the financial statements. Management estimates an allowance based on prior collection history, type of contribution, nature of fundraising activity, and a review of the status of current outstanding receivables. Beginning July 1, 2023, the allowance also includes the consideration of current conditions and reasonable and supportable forecasts about the future. There is no allowance for credit losses at June 30, 2024, and no allowance for doubtful accounts at June 30, 2023. Nativity's policy is to write off uncollectible accounts receivable when management determines the receivable will not be collected. There were no amounts written off for the years ended June 30, 2024 and 2023. The balance of grants and accounts receivable at July 1, 2022, was \$74,094.

Inventory

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

Investments

The ASC establishes a framework for measuring fair value and expands disclosures required for fair value measurements. It also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. These levels, in order of lowest to highest priority are described as follows:

Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in inactive markets; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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.

Nativity Academy at St. Boniface, Inc.  
Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Investments (Continued)

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, 2024 and 2023.

*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-ended 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, although 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.

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.

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

Contributions and grants are not reciprocal transactions and therefore are not accounted for under FASB 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.

Nativity Academy at St. Boniface, Inc.  
Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

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.

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.

Contributions of Services and Nonfinancial Assets

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, nonfinancial contributions primarily related to the lease of school and office space do meet the recognition criteria, are included as contributions of nonfinancial assets in the financial statements, and are offset by any related expenses. The value of these nonfinancial contributions are based on management's estimate of the fair value of the contribution at the time of donation (see Note 9).

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 11.

Nativity Academy at St. Boniface, Inc.  
Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

Note 1 – 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 Tax Status

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, 2024 and 2023.

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. Federal and state tax returns of the entity are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Recently Adopted Accounting Standard

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users to the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by Nativity at June 30, 2024 that are subject to the guidance in FASB ASC 326 were grants and accounts receivable.

Nativity adopted the standard effective July 1, 2023. Nativity had not maintained an allowance account previously and did not record a credit loss in the current year nor the preceding five years. Further, there were no current economic conditions or forecasts regarding future events that indicate an allowance for credit losses should be recorded. Based on this, Nativity has not recorded an allowance for credit losses. Thus, the impact of the adoption was not considered material to the financial statements; however, it did enhance related disclosures.

Reclassifications

Certain amounts included on the statement of functional expenses in the 2023 financial statements have been reclassified to conform to the 2024 presentation. Total assets, liabilities, net assets and changes in net assets remain unchanged.

Nativity Academy at St. Boniface, Inc.  
Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

Note 2 – Concentrations of Credit Risk

Cash - Nativity maintains its cash balances in financial institutions in Louisville, Kentucky in excess of amounts federally insured. At June 30, 2024 and 2023, Nativity's uninsured balance totaled \$402,680 and \$195,890, respectively. The risk is managed by maintaining all deposits in high quality financial institutions.

Investments - 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.

Note 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,375,574	\$ 1,165,889
Grants and accounts receivable	13,384	52,202
Investments	<u>1,778,432</u>	<u>1,577,188</u>
Financial assets, at year-end	3,167,390	2,795,279
Less donor restricted assets	<u>(1,717,586)</u>	<u>(1,539,463)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,449,804</u>	<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.

Note 4 - Investments

Investments consist of various securities including mutual funds and money market funds and are presented in the financial statements at fair value based on quoted market prices in active markets (all Level 1 measurements).

Nativity Academy at St. Boniface, Inc.  
Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

Note 4 – Investments (Continued)

Fair value measurements of Nativity's investments as of June 30, 2024 and 2023 are summarized as follows:

2024	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 135,020	\$ 135,020		
Mutual funds - fixed income	643,073	643,073		
Mutual funds - equity	<u>1,000,339</u>	<u>1,000,339</u>		
	<u>\$ 1,778,432</u>	<u>\$ 1,778,432</u>	<u>\$ -</u>	<u>\$ -</u>

  

2023				
Money market funds	\$ 87,685	\$ 87,685		
Mutual funds - fixed income	627,356	627,356		
Mutual funds - equity	<u>862,147</u>	<u>862,147</u>		
	<u>\$ 1,577,188</u>	<u>\$ 1,577,188</u>	<u>\$ -</u>	<u>\$ -</u>

Net investment return for the years ended June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 95,268	\$ 72,083
Realized/unrealized gain	<u>161,161</u>	<u>79,990</u>
	256,429	152,073
Less: investment fees	<u>12,120</u>	<u>11,465</u>
Net investment return	<u>\$ 244,309</u>	<u>\$ 140,608</u>

Note 5 – Property and Equipment

Property and equipment consists of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Building improvements	\$ 467,029	\$ 453,343
Furniture and equipment	195,783	193,074
Vehicles	<u>47,988</u>	<u>47,988</u>
	710,800	694,405
Less accumulated depreciation	<u>384,052</u>	<u>373,280</u>
Property and equipment, net	<u>\$ 326,748</u>	<u>\$ 321,125</u>

Nativity Academy at St. Boniface, Inc.  
Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

Note 6 – Leases

When entering into a financing or leasing arrangement, Nativity assesses whether the arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term for leases with terms greater than 12 months or leases with a purchase option that is reasonably certain to be exercised. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense for finance leases is recognized on an effective interest method.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. ROU assets also include any lease prepayments and excludes any lease incentives, if applicable. Lease payments include the required fixed payments and amounts that are probable to be owed under residual value guarantees, as applicable.

Nativity uses the implicit rate when it is readily determinable. When a lease does not provide an implicit rate, to determine the present value of lease payments management uses the risk-free rate commensurate to the lease term based on the information available at lease commencement.

Certain lease contracts contain non-lease components such as copier maintenance. Nativity has made a policy election to not separate the lease and non-lease components, and thus recognize a single lease component for all right-of-use assets and lease liabilities.

Nativity entered into an agreement on June 27, 2024 to lease a copier under a finance lease. The lease term is 60 months, with monthly payments of \$144, and a discount rate of 4.29%, which was the risk-free rate at the commencement date. The lease will renew automatically at the end of the five-year term unless 30 days' notice is given by either party. The first lease payment was scheduled for July 2024.

Future payments of the lease at June 30, 2024 are as follows:

Year Ending June 30,	Finance Lease
2025	\$ 1,698
2026	1,697
2027	1,697
2028	1,697
2029	1,697
Total future lease payments	8,486
Less interest	(860)
Total	<u>\$ 7,626</u>



Nativity Academy at St. Boniface, Inc.  
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Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Sponsored Scholarships	\$ 154,095	\$ 206,750
Programs	<u>560,496</u>	<u>414,573</u>
	714,591	621,323
Endowment	<u>1,002,995</u>	<u>918,140</u>
Total net assets with donor restrictions	<u><u>\$ 1,717,586</u></u>	<u><u>\$ 1,539,463</u></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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions:		
Sponsored Scholarships	\$ 88,750	\$ 101,300
Programs	297,582	239,147
Founders Fund	<u>37,831</u>	<u>37,447</u>
	<u><u>\$ 424,163</u></u>	<u><u>\$ 377,894</u></u>

The Founders Fund assets with donor restrictions represent income derived from Founders Fund endowment investments (see Note 8).

Note 8 – 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 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 restricted net assets the original value of the gifts donated to the endowment and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Nativity Academy at St. Boniface, Inc.  
Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

Note 8 – Endowment Funds (Continued)

The remaining portion of the donor-restricted endowment is classified as 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, 2024, two funds with original gift values of \$307,909 and \$369,807, respectively, had fair values of \$300,116 and \$342,957, respectively, resulting in deficiencies of \$7,793 and \$26,850, respectively. These funds were reported in net assets with donor restrictions.

As of and for the years ended June 30, 2024 and 2023, endowment investments consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
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
Investment income	-	122,686	122,686
Appropriation of endowment assets for expenditure	-	(37,831)	(37,831)
Endowment net assets, June 30, 2024	<u>\$ -</u>	<u>\$ 1,002,995</u>	<u>\$ 1,002,995</u>

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Note 9 – 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 contributions of nonfinancial assets in the financial statements in the amount of \$13,200 for both years ended June 30, 2024 and 2023 and is offset by rent expense of \$13,200 in both years.

Note 10 – 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, 2024 and 2023 were \$38,524 and \$36,706, respectively.

Note 11 – 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, 2024 and 2023:

	Gross Revenue	Direct Costs	Net
2024			
Golf Scramble	\$ 51,490	\$ 26,099	\$ 25,391
Auction	132,241	49,685	82,556
Associate Board	5,695	-	5,695
Raffle	24,150	10,230	13,920
	<u>\$ 213,576</u>	<u>\$ 86,014</u>	<u>\$ 127,562</u>
2023			
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
	<u>\$ 177,180</u>	<u>\$ 54,593</u>	<u>\$ 122,587</u>

Note 12 – 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.

Note 13 – Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through December 17, 2024, the date that the financial statements were available to be issued.