



NATIVITY ACADEMY
AT SAINT BONIFACE

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

Independent Auditors' Report

And Financial Statements

For the Years Ended

June 30, 2025 and 2024

Nativity Academy at St. Boniface, Inc.
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1.866.287.9604
www.baldwincpas.com

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, 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 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, 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 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.

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

November 5., 2025

Nativity Academy at St. Boniface, Inc.
Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,277,452	\$ 1,375,574
Grants and accounts receivable	9,000	13,384
Contributions receivable, current	194,545	-
Inventory	1,708	1,475
Prepaid expenses	21,770	18,382
Investments	1,973,882	1,778,432
Total current assets	3,478,357	3,187,247
Property and equipment, net	324,366	326,748
Right-of-use asset - finance lease, net	6,101	7,626
Contributions receivable, noncurrent	118,800	-
Total assets	<u>\$ 3,927,624</u>	<u>\$ 3,521,621</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 73,611	\$ 65,494
Lease liability - finance lease - current	1,458	1,397
Total current liabilities	75,069	66,891
Lease liability - finance lease - noncurrent	4,771	6,229
Total liabilities	79,840	73,120
Net Assets:		
Without donor restrictions	2,048,237	1,730,915
With donor restrictions	1,799,547	1,717,586
Total Net Assets	3,847,784	3,448,501
Total Liabilities and Net Assets	<u>\$ 3,927,624</u>	<u>\$ 3,521,621</u>

Nativity Academy at St. Boniface, Inc.
Statements of Activities
For the Years Ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains:						
Contributions and grants	\$ 744,819	\$ 268,830	\$ 1,013,649	\$ 578,182	\$ 266,592	\$ 844,774
Sponsored scholarships	452,854	91,700	544,554	480,121	220,350	700,471
Program and activity fees	54,993	1,702	56,695	44,535	14,973	59,508
Net investment return	110,653	104,074	214,727	121,623	122,686	244,309
Contributions of nonfinancial assets	26,400	118,800	145,200	13,200	-	13,200
Special events	180,354	-	180,354	211,576	2,000	213,576
Net assets released from restrictions	503,145	(503,145)	-	448,478	(448,478)	-
Total revenue, support, and gains	2,073,218	81,961	2,155,179	1,897,715	178,123	2,075,838
Expenses:						
Program services	1,266,421	-	1,266,421	1,141,225	-	1,141,225
Management and general	245,012	-	245,012	275,893	-	275,893
Fundraising	244,463	-	244,463	261,062	-	261,062
Total Expenses	1,755,896	-	1,755,896	1,678,180	-	1,678,180
Change in Net Assets	317,322	81,961	399,283	219,535	178,123	397,658
Net assets, beginning of year	1,730,915	1,717,586	3,448,501	1,511,380	1,539,463	3,050,843
Net assets, end of year	<u>\$ 2,048,237</u>	<u>\$ 1,799,547</u>	<u>\$ 3,847,784</u>	<u>\$ 1,730,915</u>	<u>\$ 1,717,586</u>	<u>\$ 3,448,501</u>

See accompanying notes to the financial statements

Nativity Academy at St. Boniface, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2025 and 2024

	2025				2024			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 637,383	\$ 79,380	\$ 63,999	\$ 780,762	\$ 557,716	\$ 124,288	\$ 101,518	\$ 783,522
Professional fees	60,670	123,395	42,358	226,423	52,548	104,188	16,328	173,064
Payroll taxes and benefits	131,127	15,460	13,335	159,922	123,717	18,119	22,796	164,632
Instructional supplies/fieldtrips	94,240	1,067	885	96,192	70,409	-	1,314	71,723
Occupancy	85,403	2,247	2,248	89,898	78,072	2,055	2,054	82,181
Special event expenses	-	-	79,704	79,704	-	121	85,893	86,014
Office expenses/supplies	6,356	9,956	23,017	39,329	13,065	10,021	23,864	46,950
Depreciation	38,902	1,024	1,025	40,951	43,232	1,137	1,137	45,506
Food service	37,100	-	-	37,100	37,526	-	-	37,526
Transition assistance	35,410	-	-	35,410	57,761	-	-	57,761
Repairs and maintenance	21,850	575	575	23,000	31,542	830	830	33,202
Insurance	14,692	387	386	15,465	14,151	373	373	14,897
Professional development	41	406	14,077	14,524	154	1,031	803	1,988
Extended day expenses	14,161	51	18	14,230	12,148	-	-	12,148
Rent expense (nonfinancial)	12,540	330	330	13,200	12,540	330	330	13,200
Telephone	11,272	297	296	11,865	11,583	305	305	12,193
Advertising	5,136	-	1,330	6,466	3,563	-	1,296	4,859
Dues and memberships	1,484	3,628	849	5,961	1,996	3,060	945	6,001
Miscellaneous	58,654	6,809	31	65,494	19,502	10,035	1,276	30,813
Total expenses	<u>\$ 1,266,421</u>	<u>\$ 245,012</u>	<u>\$ 244,463</u>	<u>\$ 1,755,896</u>	<u>\$ 1,141,225</u>	<u>\$ 275,893</u>	<u>\$ 261,062</u>	<u>\$ 1,678,180</u>

See accompanying notes to the financial statements

Nativity Academy at St. Boniface, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 399,283	\$ 397,658
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,426	45,506
Amortization of ROU asset	1,525	-
Loss on the disposal of assets	-	4,250
Net realized and unrealized gain on investments	(128,017)	(161,161)
Increase (decrease) in cash due to changes in:		
Grants and accounts receivable	4,384	38,818
Contribution receivable	(313,345)	-
Inventory	(233)	(1,475)
Prepaid expenses	(3,388)	4,920
Accounts payable and accrued expenses	8,117	(23,369)
Net cash provided by operating activities	7,752	305,147
Cash flows from investing activities:		
Purchases of property and equipment	(37,043)	(55,380)
Purchases of investments	(195,175)	(133,358)
Sales of investments	127,741	93,276
Net cash used by investing activities	(104,477)	(95,462)
Cash flows from financing activities:		
Principal payments on finance lease	(1,397)	-
Net cash used by financing activities	(1,397)	-
Net change in cash and cash equivalents	(98,122)	209,685
Cash and cash equivalents, beginning of year	1,375,574	1,165,889
Cash and cash equivalents, end of year	<u>\$ 1,277,452</u>	<u>\$ 1,375,574</u>
Supplemental Disclosures		
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for new finance lease liabilities	<u>\$ -</u>	<u>\$ 7,626</u>

Nativity Academy at St. Boniface, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

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.

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.

Nativity Academy at St. Boniface, Inc.
Notes to Financial Statements (Continued)
June 30, 2025 and 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

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, review of the status of current outstanding receivables, and consideration of current conditions and reasonable and supportable forecasts about the future. There is no allowance for credit losses at June 30, 2025 and 2024. 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, 2025 and 2024. The balance of grants and accounts receivable at July 1, 2023, was \$52,202.

Contributions Receivable

Contributions receivable consists of unconditional promises to give beyond the date of the statement of financial position. Nativity only records a donation if the donor explicitly specifies a period of time the donation will be received. There was no allowance for doubtful accounts as of June 30, 2025 and 2024.

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, 2025 and 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Investments (Continued)

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 and Grants

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 FASB ASC Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition.

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.

Unconditional promises to give are recognized as revenues in the period when promises to give are made and accepted. 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.

Revenue from unconditional grants is recognized upon acceptance of the grant. Revenue from conditional grants is recognized upon the satisfaction of conditions or performance requirements.

Nativity Academy at St. Boniface, Inc.
Notes to Financial Statements (Continued)
June 30, 2025 and 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Sponsored Scholarships

Sponsored scholarships are contributions used to cover the costs of program services for students. Sponsored scholarships are reported as increases in net assets with donor restrictions. When the costs of program services are incurred, then 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 costs of program services 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. Revenue from program and activity fees is accounted for under the same framework as contributions, in accordance with FASB ASC Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition.

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 10).

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 12.

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, 2025 and 2024.

Nativity Academy at St. Boniface, Inc.
Notes to Financial Statements (Continued)
June 30, 2025 and 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Income Tax Status (Continued)

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.

Reclassifications

Certain amounts included on the statement of functional expenses in the 2024 financial statements have been reclassified to conform to the 2025 presentation. Total assets, liabilities, net assets and changes in net assets remain unchanged.

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, 2025 and 2024, Nativity's uninsured balance totaled \$338,068 and \$402,680, 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, 2025 and 2024:

	2025	2024
Cash and cash equivalents	\$ 1,277,452	\$ 1,375,574
Grants and accounts receivable	9,000	13,384
Contributions receivable	194,545	-
Investments	1,973,882	1,778,432
Financial assets, at year-end	3,454,879	3,167,390
Less donor restricted assets	(1,799,547)	(1,717,586)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,655,332</u>	<u>\$ 1,449,804</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.

Nativity Academy at St. Boniface, Inc.
Notes to Financial Statements (Continued)
June 30, 2025 and 2024

Note 4 – Contributions Receivable

Nativity recognized a contribution receivable related to an unconditional cash bequest in the amount of \$181,345 that was validated by a probate court on June 16, 2025. The cash bequest was received by Nativity in September 2025. The cash bequest is recognized as a contribution receivable on the statement of activities for the year ended June 30, 2025.

Nativity also recognized a contribution receivable in relation to school and office space leased from Saint Boniface Catholic Church (the Church), a related party (see Note 10). The original lease had a term of ten years from July 1, 2015 through June 30, 2025. On June 30, 2025, the original lease was automatically renewed for a ten-year term and expires on June 30, 2035. The Church waives the requirement of rent, the value of which is recorded as a contribution receivable. The value of waived rent determined by management is \$13,200 annually, based on the current fair value. As a noncash asset recorded at its current fair value, no discount rate has been applied to compute the present value, in accordance with FASB ASC Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition. The value of waived rent to be received during the ten-year lease renewal is \$132,000 and is recognized within contributions receivable.

There were no contributions receivable at June 30, 2024.

Contributions receivable consists of the following as of June 30, 2025:

	2025
Within one year	\$ 194,545
In one to five years	52,800
Beyond five years	66,000
Total contributions receivable	<u>\$ 313,345</u>

Note 5 – 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).

Fair value measurements of Nativity's investments as of June 30, 2025 and 2024 are summarized as follows:

2025	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 160,724	\$ 160,724	\$ -	\$ -
Mutual funds - fixed income	658,418	658,418	-	-
Mutual funds - equity	1,154,740	1,154,740	-	-
	<u>\$ 1,973,882</u>	<u>\$ 1,973,882</u>	<u>\$ -</u>	<u>\$ -</u>
2024				
Money market funds	\$ 135,020	\$ 135,020	\$ -	\$ -
Mutual funds - fixed income	643,073	643,073	-	-
Mutual funds - equity	1,000,339	1,000,339	-	-
	<u>\$ 1,778,432</u>	<u>\$ 1,778,432</u>	<u>\$ -</u>	<u>\$ -</u>

Nativity Academy at St. Boniface, Inc.
Notes to Financial Statements (Continued)
June 30, 2025 and 2024

Note 5 – Investments (Continued)

Net investment return for the years ended June 30, 2025 and 2024 is as follows:

	2025	2024
Interest and dividends	\$ 100,268	\$ 95,268
Unrealized Gain	128,017	161,161
	228,285	256,429
Less: investment fees	13,558	12,120
Net investment return	<u>\$ 214,727</u>	<u>\$ 244,309</u>

Note 6 – Property and Equipment

Property and equipment consists of the following as of June 30, 2025 and 2024:

	2025	2024
Building improvements	\$ 472,923	\$ 467,029
Furniture and equipment	226,932	195,783
Vehicles	47,988	47,988
	747,843	710,800
Less accumulated depreciation	(423,477)	(384,052)
Property and equipment, net	<u>\$ 324,366</u>	<u>\$ 326,748</u>

Note 7 – 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 agreement is set to expire on June 27, 2029. The lease will renew automatically at the end of the five-year term unless 30 days' notice is given by either party.

Nativity Academy at St. Boniface, Inc.
Notes to Financial Statements (Continued)
June 30, 2025 and 2024

Note 7 – Leases (Continued)

The components of lease expense were as follows for the year ended June 30:

	2025	2024
Finance lease cost		
Right-of-use asset amortization	\$ 1,525	\$ -
Interest expense	300	-
Total lease cost	<u>\$ 1,825</u>	<u>\$ -</u>

Other information related to leases is as follows:

Year ended June 30,	2025	2024
Supplemental cash flow information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance lease	\$ 300	\$ -
Financing cash flows from finance lease	1,397	-
Weighted average remaining lease term (years)		
Finance lease	4	5
Weighted average discount rate		
Finance lease	4.29%	4.29%

Future payments of the lease at June 30, 2025 are as follows:

Year Ending June 30,	Finance Lease
2026	\$ 1,698
2027	1,697
2028	1,697
2029	<u>1,697</u>
Total future lease payments	6,789
Less interest	<u>(560)</u>
Total	<u>\$ 6,229</u>

Note 8 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2025 and 2024:

	2025	2024
Subject to specified purpose or passage of time:		
Sponsored Scholarships	\$ 91,700	\$ 220,350
Contributions of nonfinancial assets	118,800	-
Programs	<u>481,978</u>	<u>494,241</u>
	692,479	714,591
Endowment (Founders Fund)	<u>1,107,069</u>	<u>1,002,995</u>
Total net assets with donor restrictions	<u>\$ 1,799,547</u>	<u>\$ 1,717,586</u>

Nativity Academy at St. Boniface, Inc.
Notes to Financial Statements (Continued)
June 30, 2025 and 2024

Note 8 – Net Assets with Donor Restrictions (Continued)

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, 2025 and 2024:

	2025	2024
Satisfaction of purpose restrictions:		
Sponsored Scholarships	\$ 220,350	\$ 206,750
Programs	282,795	203,897
Founders Fund	-	37,831
	<u>\$ 503,145</u>	<u>\$ 448,478</u>

The Founders Fund assets with donor restrictions represent income derived from Founders Fund endowment investments (see Note 9).

Note 9 – 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.

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 Academy at St. Boniface, Inc.
Notes to Financial Statements (Continued)
June 30, 2025 and 2024

Note 9 – Endowment Funds (Continued)

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

As of and for the years ended June 30, 2025 and 2024, endowment investments consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
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	-	1,002,995	1,002,995
Investment income	-	104,073	104,073
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, June 30, 2025	<u>\$ -</u>	<u>\$ 1,107,069</u>	<u>\$ 1,107,069</u>

Note 10 – Related Party

Nativity leases school and office space from Saint Boniface Catholic Church (the Church) for \$1 per year. The original agreement had a term of ten years from July 1, 2015 through June 30, 2025, with an automatic renewal of ten years. The fair value of the waived rent for the years ended June 30, 2025 and 2024 was \$13,200 for both years and is included in contributions of nonfinancial assets and offset by rent expense.

Following the automatic renewal, the agreement is now set to expire on June 30, 2035. In relation to the ten-year lease renewal, Nativity has recognized a contribution receivable of \$132,000. Further detail of contributions receivable is included at Note 4.

Note 11 – 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, 2025 and 2024 were \$45,072 and \$38,524, respectively.

Note 12 – 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, 2025 and 2024:

2025	Gross Revenue	Direct Costs	Net
Golf Scramble	\$ 41,301	\$ 17,252	\$ 24,049
Auction	108,748	52,327	56,421
Associate Board	5,205	-	5,205
Raffle	25,100	10,125	14,975
	<u>\$ 180,354</u>	<u>\$ 79,704</u>	<u>\$ 100,650</u>

Nativity Academy at St. Boniface, Inc.
Notes to Financial Statements (Continued)
June 30, 2025 and 2024

Note 12 – Special Events (Continued)

<u>2024</u>	<u>Gross Revenue</u>	<u>Direct Costs</u>	<u>Net</u>
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>

Note 13 – Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through November 5, 2025, the date that the financial statements were available to be issued.