



Financial Statements

for

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

Years Ended June 30, 2020 and 2019
with Report of Independent Auditors

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of Nativity Academy at Saint Boniface, Inc. (Nativity) which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Nativity Academy at Saint Boniface, Inc.
Report of Independent Auditors, continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nativity as of June 30, 2020 and 2019, 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.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
September 29, 2020

NATIVITY ACADEMY AT SAINT BONIFACE, INC.

Statements of Financial Position

June 30, 2020 and 2019

Assets	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 242,027	\$ 122,236
Grants and accounts receivable	39,951	78,555
Due from related party	-	2,495
Inventory	2,945	4,386
Prepaid expenses	2,228	5,038
Investments	<u>1,360,740</u>	<u>1,379,666</u>
Total current assets	1,647,891	1,592,376
Property and equipment, net	<u>379,125</u>	<u>399,906</u>
Total assets	<u>\$ 2,027,016</u>	<u>\$ 1,992,282</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 38,947	\$ 87,173
Net assets:		
Without donor restrictions:		
Available for operations	699,737	616,030
Invested in property and equipment, net	<u>379,125</u>	<u>399,906</u>
Total net assets without donor restrictions	1,078,862	1,015,936
With donor restrictions	<u>909,207</u>	<u>889,173</u>
Total net assets	<u>1,988,069</u>	<u>1,905,109</u>
Total liabilities and net assets	<u>\$ 2,027,016</u>	<u>\$ 1,992,282</u>

See accompanying notes to the financial statements.

NATIVITY ACADEMY AT SAINT BONIFACE, INC.

Statements of Activities

Years ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains:						
Contributions and grants	\$ 464,882	\$ 5,000	\$ 469,882	\$ 541,565	\$ 6,000	\$ 547,565
Sponsored scholarships	488,646	63,288	551,934	544,267	37,205	581,472
Program and activity fees	93,961	-	93,961	100,413	-	100,413
Net investment return	53,147	32,812	85,959	19,671	50,000	69,671
In-kind contributions	13,200	-	13,200	13,200	-	13,200
Special events	146,950	-	146,950	182,438	-	182,438
Other income	205,800	-	205,800	-	-	-
Net assets released from restrictions	<u>81,066</u>	<u>(81,066)</u>	<u>-</u>	<u>123,667</u>	<u>(123,667)</u>	<u>-</u>
Total revenue, support and gains	1,547,652	20,034	1,567,686	1,525,221	(30,462)	1,494,759
Expenses:						
Program services	1,085,356	-	1,085,356	1,097,532	-	1,097,532
Management and general	133,668	-	133,668	147,905	-	147,905
Fundraising	<u>265,702</u>	<u>-</u>	<u>265,702</u>	<u>240,750</u>	<u>-</u>	<u>240,750</u>
Total expenses	<u>1,484,726</u>	<u>-</u>	<u>1,484,726</u>	1,486,187	-	1,486,187
Change in net assets	62,926	20,034	82,960	39,034	(30,462)	8,572
Net assets, beginning of year	<u>1,015,936</u>	<u>889,173</u>	<u>1,905,109</u>	<u>976,902</u>	<u>919,635</u>	<u>1,896,537</u>
Net assets, end of year	<u>\$ 1,078,862</u>	<u>\$ 909,207</u>	<u>\$ 1,988,069</u>	<u>\$ 1,015,936</u>	<u>\$ 889,173</u>	<u>\$ 1,905,109</u>

See accompanying notes to the financial statements.

NATIVITY ACADEMY AT SAINT BONIFACE, INC.

Statements of Functional Expenses

Years ended June 30, 2020 and 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 637,368	\$ 50,664	\$ 141,320	\$ 829,352	\$ 621,232	\$ 67,934	\$ 129,472	\$ 818,638
Payroll tax and benefits	174,286	11,474	32,005	217,765	162,555	16,040	30,571	209,166
Instructional supplies/fieldtrips	68,813	-	-	68,813	72,774	-	-	72,774
Depreciation	43,775	1,152	1,152	46,079	44,539	1,172	1,172	46,883
Professional fees	-	44,510	-	44,510	-	35,200	-	35,200
Occupancy	35,748	941	941	37,630	38,137	1,004	1,004	40,145
Office expenses/supplies	12,299	2,972	20,520	35,791	10,735	2,594	17,911	31,240
Special events expenses	-	-	31,632	31,632	-	-	48,322	48,322
Food service	26,195	-	-	26,195	27,767	-	-	27,767
Repairs and maintenance	24,799	653	653	26,105	41,594	1,095	1,095	43,784
Extended day expenses	19,921	-	-	19,921	34,254	-	-	34,254
Rent expense (in-kind)	13,200	-	-	13,200	13,200	-	-	13,200
Insurance	10,146	806	2,250	13,202	9,228	1,009	1,923	12,160
Professional development	4,918	5,829	1,450	12,197	5,700	6,213	1,608	13,521
Telephone	10,454	275	275	11,004	11,417	300	300	12,017
Travel	146	-	6,979	7,125	159	-	4,635	4,794
Dues and memberships	425	7,414	-	7,839	400	7,904	50	8,354
Advertising	466	-	2,525	2,991	225	-	2,687	2,912
Miscellaneous	2,397	6,978	24,000	33,375	3,616	7,440	-	11,056
Total expenses	\$ 1,085,356	\$ 133,668	\$ 265,702	\$ 1,484,726	\$ 1,097,532	\$ 147,905	\$ 240,750	\$ 1,486,187

See accompanying notes to the financial statements.

NATIVITY ACADEMY AT SAINT BONIFACE, INC.

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 82,960	\$ 8,572
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	46,079	46,883
Loss on disposal of assets	3,714	-
Net realized and unrealized gain on investments	(49,563)	(46,688)
Increase (decrease) in cash due to changes in:		
Grants and accounts receivable	38,604	(42,776)
Inventory	1,441	(1,557)
Prepaid expenses	2,810	(2,158)
Due to/from related party	2,495	(4,452)
Accounts payable and accrued expenses	<u>(48,226)</u>	<u>3,435</u>
Net cash provided by (used in) operating activities	80,314	(38,741)
Cash flows from investing activities:		
Purchases of property and equipment	(29,012)	(32,056)
Purchases of investments	(150,058)	(69,144)
Sales of investments	<u>218,547</u>	<u>117,066</u>
Net cash provided by investing activities	<u>39,477</u>	<u>15,866</u>
Net increase (decrease) in cash and cash equivalents	119,791	(22,875)
Cash and cash equivalents, beginning of year	<u>122,236</u>	<u>145,111</u>
Cash and cash equivalents, end of year	<u>\$ 242,027</u>	<u>\$ 122,236</u>

See accompanying notes to the financial statements.

NATIVITY ACADEMY AT SAINT 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

Under GAAP, 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 SAINT 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 mutual funds and exchange-traded 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 year-end.

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. 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

NATIVITY ACADEMY AT SAINT BONIFACE, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Forgivable Loan

As described in Note 8, Nativity received a Paycheck Protection Program (PPP) loan under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in the amount of \$205,800. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the PPP loan, subject to limitations, based on the use of loan proceeds for payment of eligible expenses (payroll costs and utilities). Nativity has elected to consider the PPP loan as in substance a government grant and account for it in accordance with Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08).

As such, amounts expected to be forgiven are recognized as income when allowable expenses are incurred or paid. During the year ended June 30, 2020, \$205,800 was recognized in other income on the statements of activities.

Contributions and Grants

For the year ended June 30, 2020, ASU 2018-08 became effective and was adopted by Nativity. This standard addresses questions stemming from ASU No. 2014-09, *Revenue from Contracts with Customers*, regarding its implication on the grants and contracts of not-for-profit organizations. The ASU primarily addresses whether or not the transaction is reciprocal (i.e., an exchange) and therefore accounted for under ASU No. 2014-09 or nonreciprocal (i.e., a contribution) and therefore accounted for under contribution guidance. The adoption of the provisions of 2018-08 had no impact on Nativity's current or historical financial position, results of operations or cash flows.

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), 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.

Grant revenue is generally recognized upon the acceptance of a grant. In the event a grant has restrictions in place that impact the requirement to recognize revenue immediately, revenue would instead be 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 SAINT 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

Revenue is recognized when earned, which is when the service is provided or the program is offered. 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 donated services which are not objectively quantifiable. However, in-kind contributions related to the lease of school and office space which are quantifiable are included as contributions in the financial statements, and are offset by any related expenses.

Special Events

Fundraising events are held throughout the year to raise money for the operation of Nativity. Revenue is recognized when the event is held or the goods are transferred. See details of events at Note 11.

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, 2020 and 2019.

NATIVITY ACADEMY AT SAINT BONIFACE, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through September 29, 2020, the date that the financial statements were available to be issued.

Reclassifications

Certain amounts related to net assets with donor restrictions and functional expense classifications in the 2019 financial statements have been reclassified. Total assets, liabilities, net assets and changes in net assets remain unchanged.

New Accounting Pronouncements Not Yet Effective

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The core principle of ASU 2014-09 is to recognize revenues when a customer obtains control of a good or service, in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. The standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of ASU 2014-09. The updated standard will be effective for the year ending June 30, 2021. Nativity has not yet selected a transition method and is currently evaluating the effect that the new standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring 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). At the commencement date of the lease, Nativity will recognize: 1) a lease liability for Nativity's obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a right-of-use asset that represents Nativity's right to use, or control the use of, the specified asset for the lease term. The ASU originally required recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective transition method. In July 2018, the FASB issued ASU 2018-11, which provided an additional (and optional) transition method that permits application of the updated standard at the adoption date with recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of ASU 2016-02. The updated standard will be effective for Nativity for the year ending June 30, 2023, with early adoption permitted. Nativity has not yet selected a transition method and is currently evaluating the effect that the new standard will have on its financial statements.

NATIVITY ACADEMY AT SAINT 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 balance sheet date are as follows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 242,027	\$ 122,236
Grants and accounts receivable	39,951	78,555
Investments	<u>1,360,740</u>	<u>1,379,666</u>
Financial assets	1,642,718	1,580,457
Less donor restricted assets	<u>(909,207)</u>	<u>(889,173)</u>
Financial assets available for general expenditure	<u>\$ 733,511</u>	<u>\$ 691,284</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, 2020 and 2019.

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.

NATIVITY ACADEMY AT SAINT BONIFACE, INC.

Notes to the Financial Statements, continued

4. Fair Value Measurement, 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, 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.

Fair value measurements of Nativity as of June 30, 2020 and 2019 are summarized as follows:

<u>2020</u>	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 108,392	\$ 108,392	\$ -	\$ -
Mutual funds - fixed income	535,195	535,195	-	-
Mutual funds - equities	<u>717,153</u>	<u>717,153</u>	-	-
	<u>\$ 1,360,740</u>	<u>\$ 1,360,740</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2019</u>				
Money market funds	\$ 73,583	\$ 73,583	\$ -	\$ -
Mutual funds - fixed income	583,984	583,984	-	-
Mutual funds - equities	<u>722,099</u>	<u>722,099</u>	-	-
	<u>\$ 1,379,666</u>	<u>\$ 1,379,666</u>	<u>\$ -</u>	<u>\$ -</u>

Net investment return for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 46,881	\$ 32,812
Realized/unrealized gains	<u>49,563</u>	<u>46,688</u>
	96,444	79,500
Less: investment fees	<u>10,485</u>	<u>9,829</u>
Net investment return	<u>\$ 85,959</u>	<u>\$ 69,671</u>

NATIVITY ACADEMY AT SAINT BONIFACE, INC.

Notes to the Financial Statements, continued

5. Property and Equipment

Property and equipment consists of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Building improvements	\$ 406,758	\$ 384,688
Furniture and equipment	162,646	246,717
Vehicles	<u>47,988</u>	<u>47,988</u>
	617,392	679,393
Less accumulated depreciation	<u>238,267</u>	<u>279,487</u>
Property and equipment, net	<u>\$ 379,125</u>	<u>\$ 399,906</u>

6. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Sponsored scholarships	\$ 63,288	\$ 38,207
Programs	8,447	9,447
Renovations	-	3,540
Vehicle	<u>-</u>	<u>518</u>
	71,735	51,712
Endowment	<u>837,472</u>	<u>837,461</u>
Total net assets with donor restrictions	<u>\$ 909,207</u>	<u>\$ 889,173</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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Sponsored scholarships	\$ 38,207	\$ 33,688
Programs	6,000	40,558
Renovations	3,540	12,496
Vehicle	518	3,778
Operations	-	1,479
Founders Fund	<u>32,801</u>	<u>31,668</u>
	<u>\$ 81,066</u>	<u>\$ 123,667</u>

NATIVITY ACADEMY AT SAINT BONIFACE, INC.

Notes to the Financial Statements, continued

6. Net Assets With Donor Restrictions, continued

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. As required by GAAP, 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 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 ACADEMY AT SAINT BONIFACE, INC.

Notes to the Financial Statements, continued

7. 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 year ended June 30, 2020, endowment investments consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	\$ -	\$ 819,129	\$ 819,129
Investment income	-	50,000	50,000
Appropriation of endowment assets for expenditure	-	(31,668)	(31,668)
Endowment net assets, June 30, 2019	-	837,461	837,461
Investment income	-	32,812	32,812
Appropriation of endowment assets for expenditure	-	(32,801)	(32,801)
Endowment net assets, June 30, 2020	\$ -	\$ 837,472	\$ 837,472

8. Paycheck Protection Program Loan

On March 27, 2020, President Trump signed into law the CARES Act, which, among other things, outlines the provisions of the PPP. In addition, President Trump signed into law the Paycheck Protection Program and Health Care Enhancement Act on April 24, 2020, which increased funding provided by the CARES Act. On June 5, 2020 the Paycheck Protection Program Flexibility Act was signed into law and extended the program until December 31, 2020 as well as revised certain terms associated with the PPP.

On April 21, 2020, Nativity received a PPP loan from PNC Bank (PNC) in the amount of \$205,800. The PPP loan matures on April 21, 2022 and bears interest at a rate of 1% per annum. Monthly principal and interest payments are deferred until the date on which the Small Business Administration remits the amount of forgiveness to PNC or 10 months subsequent to the end of the PPP loan forgiveness covered period, whichever is earlier. To the extent the loan is not forgiven, the loan requires monthly payments of principal and interest of \$11,562 beginning in November 2020. The interest accrued during the deferral period, that is not forgiven, becomes due and payable throughout the remainder of the loan term once notified by PNC subsequent to the date when forgiveness of the PPP loan was determined.

NATIVITY ACADEMY AT SAINT BONIFACE, INC.

Notes to the Financial Statements, continued

8. Paycheck Protection Program Loan, continued

It is Nativity's intent to apply for loan forgiveness under the provisions of the CARES Act and management currently expects the loan to be fully forgiven, however, no assurance is provided that Nativity will obtain forgiveness of the PPP loan in whole or in part. The loan amount of \$205,800 was originally recorded as a liability upon receipt and has a balance of \$0 at June 30, 2020. Under ASU 2018-08, amounts expected to be forgiven are recognized as income when allowable expenses are incurred or paid. During the year ended June 30, 2020, \$205,800 was recognized in other income on the statements of activities.

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 is treated as an in-kind contribution and included as contributions in the financial statements in the amount of \$13,200 for both years ended June 30, 2020 and 2019, and is offset by rent expense of \$13,200 in both years.

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 6.00% of each participating employee's compensation, provided the employee contributes from 1.00% to 4.00% of his/her compensation. Nativity's contributions for the years ended June 30, 2020 and 2019 were \$49,025 and \$44,820, respectively.

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, 2020 and 2019:

	<u>Gross Revenue</u>	<u>Direct Costs</u>	<u>Net</u>
<u>2020</u>			
Golf scramble	\$ 25,490	\$ 8,085	\$ 17,405
Auction	84,555	12,553	72,002
Night Out for Nativity	11,355	524	10,831
Associate Board	650	-	650
Raffle	<u>24,900</u>	<u>10,470</u>	<u>14,430</u>
	<u>\$ 146,950</u>	<u>\$ 31,632</u>	<u>\$ 115,318</u>

NATIVITY ACADEMY AT SAINT BONIFACE, INC.

Notes to the Financial Statements, continued

11. Special Events, continued

	Gross Revenue	Direct Costs	Net
<u>2019</u>			
Golf scramble	\$ 24,120	\$ 7,664	\$ 16,456
Auction	122,825	29,520	93,305
Night Out for Nativity	10,558	377	10,181
Associate Board	385	-	385
Raffle	<u>24,550</u>	<u>10,761</u>	<u>13,789</u>
	<u>\$ 182,438</u>	<u>\$ 48,322</u>	<u>\$ 134,116</u>