

HERITAGE
CHRISTIAN SCHOOL

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2025 and 2024

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Katz, Sapper & Miller, LLP
Certified Public Accountants

HERITAGE CHRISTIAN SCHOOLS, INC. AND AFFILIATE

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Katz, Sapper & Miller, LLP
Certified Public Accountants
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Independent Auditor's Report

Board of Directors
Heritage Christian Schools, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Heritage Christian Schools, Inc. (a not-for-profit organization) and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Heritage Christian Schools, Inc. and Affiliate as of June 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Heritage Christian Schools, Inc. and Affiliate 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Heritage Christian Schools, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Heritage Christian Schools, Inc. and Affiliate'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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
December 9, 2025

HERITAGE CHRISTIAN SCHOOLS, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2025 and 2024

	2025	2024
ASSETS		
Cash	$ 1,983,648	$ 1,468,452
Accounts receivable	7,797	29,879
Tuition receivable, net	195,141	1,241
Employee Retention Credit receivable	1,034,049	1,627,309
Prepaid expenses and other assets	440,001	160,677
Investments	6,602,087	5,190,203
Property and equipment, net	19,296,119	18,657,465
Right-of-use asset - operating lease	3,440	23,543
Right-of-use asset - finance lease	3,046	19,239
Collections	72,219	72,219
TOTAL ASSETS	$ 29,637,547	$ 27,250,227
LIABILITIES		
Accounts payable	$ 1,033,200	$ 1,086,860
Accrued expenses	768,871	743,062
Deferred tuition revenue	1,829,993	1,553,445
Operating lease liability	3,440	23,543
Finance lease liability	3,924	18,361
Total Liabilities	3,639,428	3,425,271
NET ASSETS		
Net assets without donor restrictions:		
Board designated - annual fund	625,164	694,171
Board designated - reserves	2,332,403	2,244,007
Board designated - endowments	1,097,440	1,008,831
Undesignated funds	20,480,296	19,351,396
Total Net Assets Without Donor Restrictions	24,535,303	23,298,405
Net assets with donor restrictions:		
Purpose restricted	1,462,816	526,551
Total Net Assets With Donor Restrictions	1,462,816	526,551
Total Net Assets	25,998,119	23,824,956
TOTAL LIABILITIES AND NET ASSETS	$ 29,637,547	$ 27,250,227

See accompanying notes.

HERITAGE CHRISTIAN SCHOOLS, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2025 and 2024

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Tuition and fees, net of tuition assistance	$ 21,875,709		$ 21,875,709
Auxiliary services	724,468		724,468
Contributions	174,940	$ 1,337,016	1,511,956
Activities and special events	493,017		493,017
Investment return	276,630		276,630
Other income	376,436		376,436
	23,921,200	1,337,016	25,258,216
Net assets released from restrictions	400,751	(400,751)	
Total Revenue and Support	24,321,951	936,265	25,258,216
EXPENSES			
Program services	19,552,241		19,552,241
Management and general	2,834,178		2,834,178
Fundraising	698,634		698,634
Total Expenses	23,085,053		23,085,053
INCREASE IN NET ASSETS	1,236,898	936,265	2,173,163
NET ASSETS			
Beginning of Year	23,298,405	526,551	23,824,956
End of Year	$ 24,535,303	$ 1,462,816	$ 25,998,119

See accompanying notes.

	2024	
Without Donor Restrictions	With Donor Restrictions	Total
$ 21,059,627		$ 21,059,627
674,929		674,929
121,533	$ 371,825	493,358
565,268		565,268
336,730		336,730
112,844		112,844
22,870,931	371,825	23,242,756
312,574	(312,574)	
23,183,505	59,251	23,242,756
18,256,049		18,256,049
2,712,551		2,712,551
657,807		657,807
21,626,407		21,626,407
1,557,098	59,251	1,616,349
21,741,307	467,300	22,208,607
$ 23,298,405	$ 526,551	$ 23,824,956

HERITAGE CHRISTIAN SCHOOLS, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2025

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	$14,002,870	$1,461,402	$ 350,084	$15,814,356
Curriculum and supplies	909,782	65,937	200,119	1,175,838
Repairs and maintenance	999,059	426,475	4,661	1,430,195
Utilities	588,528	36,088	4,408	629,024
Cleaning service	562,488			562,488
Insurance	192,165	9,250	2,040	203,455
Food and supplies	17,130			17,130
Activities and special events	521,223	13,292	5,649	540,164
Travel and meals	95,780	27,250	426	123,456
Workshops and continuing education	40,959	24,145	500	65,604
Depreciation	1,303,802	222,033		1,525,835
Other	318,455	548,306	130,747	997,508
TOTAL EXPENSES BY FUNCTION	$19,552,241	$2,834,178	$ 698,634	$23,085,053

See accompanying notes.

HERITAGE CHRISTIAN SCHOOLS, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	$12,587,222	$1,378,202	$ 262,247	$14,227,671
Curriculum and supplies	1,140,056	59,552	159,217	1,358,825
Repairs and maintenance	1,063,694	461,501	5,415	1,530,610
Utilities	508,586	30,942	3,779	543,307
Cleaning service	513,271			513,271
Insurance	233,473	9,400	2,309	245,182
Food and supplies	19,178			19,178
Activities and special events	471,104	27,054	20,952	519,110
Travel and meals	102,681	14,450	787	117,918
Workshops and continuing education	42,336	14,912		57,248
Depreciation	1,215,918	181,742	74	1,397,734
Other	358,530	534,796	203,027	1,096,353
TOTAL EXPENSES BY FUNCTION	$18,256,049	$2,712,551	$ 657,807	$21,626,407

See accompanying notes.

HERITAGE CHRISTIAN SCHOOLS, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2025 and 2024

	2025	2024
OPERATING ACTIVITIES		
Increase in net assets	$ 2,173,163	$ 1,616,349
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,526,229	1,397,734
Bad debt expense	59,345	65,797
Loss on disposition of property and equipment	10,580	4,630
Net realized and unrealized (gain) loss on investments	113,408	(139,038)
Change in certain assets and liabilities:		
Accounts receivable	22,082	164,339
Tuition receivable	(253,245)	(65,549)
Employee Retention Credit receivable	593,260	
Prepaid expenses and other assets	(279,324)	(47,741)
Accounts payable	(154,209)	(48,318)
Accrued expenses	25,809	56,207
Deferred tuition revenue	276,548	(102,830)
Net Cash Provided by Operating Activities	4,113,646	2,901,580
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,699,710)	(4,084,761)
Purchases of investments	(7,232,976)	(4,751,157)
Proceeds from sale of land held for investment		270,000
Proceeds from sales of investments	6,705,606	3,056,179
Net Cash Used by Investing Activities	(2,227,080)	(5,509,739)
FINANCING ACTIVITIES		
Principal payments on finance lease liability	(14,437)	(14,688)
Net Cash Used by Financing Activities	(14,437)	(14,688)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	1,872,129	(2,622,847)
CASH AND EQUIVALENTS		
Beginning of Year	1,921,841	4,544,688
End of Year	$ 3,793,970	$ 1,921,841
CASH AND EQUIVALENTS		
Cash	$ 1,983,648	$ 1,468,452
Cash and equivalents included in investments	1,810,322	453,389
TOTAL CASH AND EQUIVALENTS	$ 3,793,970	$ 1,921,841
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$ 1,962	$ 1,962
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows - finance leases	1,962	1,962
Operating cash flows - operating leases	20,493	20,493
Finance cash flows - finance leases	14,688	14,688
Construction in progress purchased through accounts payable	459,560	359,011

See accompanying notes.

HERITAGE CHRISTIAN SCHOOLS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statements: The accompanying consolidated financial statements include the accounts of Heritage Christian Schools, Inc. (Heritage) and its affiliate, HCS Real Estate, LLC (HCS Real Estate) (together, the Organization). Heritage is the sole member of HCS Real Estate. HCS Real Estate was organized on April 21, 2016, to hold donated land that is held for investment. All significant intra-entity accounts and transactions have been eliminated in consolidation.

Heritage is a nonprofit religious/educational organization incorporated under the laws of the state of Indiana. Heritage's objective is to provide, based upon the Word of God, a Christian education to preschool through twelfth grade students in the Indianapolis area. Revenues are derived primarily from students' tuition and related service fees. Heritage also receives contributions from friends and the general public.

Heritage is a member of Indiana Non-Public Education Association, Association of Christian Schools International (ACSI), and Indianapolis Christian School Association. Heritage is accredited by ACSI. The high school is also accredited by AdvancED.

Basis of Presentation: The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- ***Net Assets Without Donor Restrictions*** are not subject to donor-imposed restrictions and may be used at the discretion of the Organization's management and Board of Directors to support the purposes and operations of the Organization. This net asset category includes Board-designated net assets.

- ***Net Assets With Donor Restrictions*** are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

  Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts associated with the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Estimates: The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents consist of checking and savings accounts at banks and money market accounts with brokerage firms. Heritage maintains its cash in bank deposit accounts and brokerage accounts which, at times, may exceed the federally insured limits. Heritage has not experienced any losses from its bank accounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable represent amounts due for exchange transactions with third parties. Accounts receivable are reviewed regularly for collectability. The carrying amount of accounts receivable is reduced by an allowance for credit losses that reflects Heritage's best estimate of the amounts that will not be collected. The allowance is determined using historical loss information by aging category adjusted for current economic conditions and reasonable and supportable forecasts. Accounts receivable are written off against the allowance when deemed uncollectible. Management determined that no allowance was necessary for accounts receivable at June 30, 2025 and 2024. Accounts receivable totaled $7,797, $29,879, and $194,218, as of June 30, 2025, 2024, and 2023, respectively.

Tuition Receivable is reviewed regularly for collectability and an allowance for doubtful accounts receivable is recorded, if necessary, based on management's judgement and analysis of the creditworthiness of the creditors, historical experience, current economic conditions, reasonable and supportable forecasts, and other relevant factors. Tuition receivable is written off against the allowance when deemed uncollectible. At June 30, 2025, the allowance was $55,000 and $64,000 as of June 30, 2024 and 2023, respectively. Tuition receivable, net of the allowance for uncollectible accounts, totaled $195,141 , $1,241, and $1,489, as of June 30, 2025, 2024, and 2023, respectively.

Investment Valuation and Income Recognition: Investments are initially recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are stated at fair value. See Note 3 for discussion of fair value measurements.

Investment return reported in the statements of activities consists of interest and dividend income and realized and unrealized capital gains and losses, net of external and direct internal investment expenses and any credit losses. Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method.

Property and Equipment are stated at cost for purchased assets, or at fair value at the date of donation for donated assets, less accumulated depreciation. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives as follows:

Buildings and improvements	5 - 40 years
Furnishings and equipment	3 - 10 years
Transportation equipment	5 years

Long-lived Assets including property and equipment and operating and finance lease right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If the asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the asset. No adjustments to the carrying amount of such long-lived assets were required in fiscal years 2025 and 2024.

Collections consist of sculptures donated to Heritage. Donated items are reported at their appraised or fair market value on the date of the gift.

Tuition and Fees and Auxiliary Services Revenue is recorded during the year the related academic services are rendered and displayed net of scholarships and discounts on the consolidated statements of activities. Tuition revenue received in advance of services being rendered is recorded as deferred revenue and is recognized ratably over the service period. Deferred tuition revenue totaled $1,829,993, $1,553,445, and $1,656,275 as of June 30, 2025, 2024, and 2023, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions are recognized as support when they are received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided. Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets. Conditional contributions are not recognized as revenue until the conditions are substantially met. The Organization had no conditional contributions in fiscal years 2025 and 2024. The Employee Retention Credit was accounted for under the contribution policy noted above.

Special Event Revenue: Heritage has multiple special events where tickets are purchased for the event and revenue is recognized at the listed ticket price upon the occurrence of the event. In addition, Heritage will sell sponsorships for the events. When a sponsorship is sold, it contains elements of both an exchange transaction and a contribution. Heritage will recognize the contribution portion once received or unconditionally pledged. The portion related to the exchange transaction is recorded as deferred income until the event occurs at which time it is recognized as revenue. There was no deferred special event revenue at June 30, 2025, 2024, and 2023.

Functional Allocation of Expenses: The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Directly identifiable expenses are charged to the specific program or supporting service benefited. Expenses related to more than one function are allocated among program and support services based on occupied space (including, repairs and maintenance, utilities, depreciation and interest) or time spent by Organization staff (including, personnel expenses). Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising Costs are expensed as incurred and totaled $96,738 and $115,674 for the years ended June 30, 2025 and 2024, respectively.

Self-Insurance Plan: Heritage has elected to act as a self-insurer for certain costs related to employee health and accident benefits. Such costs are charged to operations when incurred. Heritage's stop-loss health insurance policy states that any claims paid in excess of a specified dollar amount will be reimbursed. At June 30, 2025 and 2024, Heritage estimated the self-insurance liability, net of insurance recoveries, to be approximately $156,000.

Investment in Captive Insurer: The Organization has an investment in a captive health liability insurer. Investments in equity securities without readily determinable fair values are reported at cost with observable price changes and subsequent impairment recognized in the change in net assets. The Organization's investment in the captive insurer was $62,357 and $30,642 as of June 30, 2025 and 2024, respectively, and is included in other assets on the consolidated statements of financial position.

Leases: The Organization determines if an arrangement is a lease at inception. The Organization recognizes a lease asset for their right to use the underlying leased asset and a lease liability for the corresponding obligation to make lease payments. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The present value is calculated using the rate implicit in the lease. If the rate is not readily determinable from the lease, the Organization uses a risk-free rate of a period comparable with that of the lease term. Lease terms include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not recognize an asset and liability for leases with a term of 12 months or less. The Organization does not separate lease and non-lease components.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status: Heritage is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and a corresponding state tax law. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. In addition, Heritage has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income tax for fiscal years 2025 and 2024.

Heritage files U.S. federal and state of Indiana information tax returns. Heritage is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before fiscal year 2022.

HCS Real Estate is single member LLC and is a disregarded entity for income tax purposes. All income, gains, losses and deductions of HCS Real Estate are included in Heritage's tax filings. Management believes that Heritage and HCS Real Estate's income tax filing positions will be sustained on audit and does not anticipate any adjustments that will result in a material change.

Subsequent Events: Management has evaluated the consolidated financial statements for subsequent events occurring through December 9, 2025, the date the consolidated financial statements were available to be issued. See Note 12.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

The following reflects the Organization's financial assets available to meet general expenditure that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date:

	2025	2024
Cash	$ 1,983,648	$ 1,468,452
Accounts receivable	7,797	29,879
Tuition receivable, net	195,141	1,241
Employee Retention Credit receivable	1,034,049	1,627,309
Investments	6,602,087	5,190,203
Total Financial Assets	9,822,722	8,317,084
Board designated net assets – annual fund	(625,164)	(694,171)
Board designated net assets – reserves	(2,332,403)	(2,244,007)
Board designated net assets – endowments	(1,097,440)	(1,008,831)
Donor-imposed Restrictions:		
Funds subject to purpose restrictions	(1,462,816)	(526,551)
Total Financial Assets Available to Meet General Expenditures Within One Year	$ 4,304,899	$ 3,843,524

The Organization's Board of Directors has designated a portion of its resources without donor restrictions for specific purposes. Those amounts are identified as board-designated in the above table. These funds are set aside for these purposes but remain available and may be spent at the discretion of the Board of Directors.

The Organization operates with a balanced budget and anticipates collecting sufficient revenue and support to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows, which identify the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal years 2025 and 2024.

As part of the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in government securities or money market accounts.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the Organization makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by the Organization for assets and liabilities that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2025 and 2024.

Money Market Fund Shares: Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds are deemed to be actively traded.

U.S. Government Securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

Common Stocks and Exchange-traded Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of Heritage's assets that are measured at fair value on a recurring basis as of June 30, 2025 and 2024:

2025	Level 1	Level 2	Total
Assets			
Money market fund shares	$1,810,322		$1,810,322
Exchange-traded funds	212,527		212,527
Common stocks	555,782		555,782
Corporate bonds		$ 217,546	217,546
U.S. government securities		3,805,910	3,805,910
Total Assets at Fair Value	$2,578,631	$4,023,456	$6,602,087
2024			
Assets			
Money market fund shares	$ 453,389		$ 453,389
Exchange-traded funds	182,233		182,233
Common stocks	447,571		447,571
Corporate bonds		$ 13,687	13,687
U.S. government securities		4,093,323	4,093,323
Total Assets at Fair Value	$1,083,193	$4,107,010	$5,190,203

Investments are exposed to various risks, such as interest rate, market and credit 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 consolidated financial statements.

A significant portion of Heritage's investments are held in U.S. government securities, which are not impacted by changes in credit quality given the explicit or implicit guarantees provided by the U.S. government.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2025 and 2024:

	2025	2024
Buildings and improvements	$ 36,114,554	$ 34,752,226
Furnishings and equipment	7,483,838	6,818,240
Transportation equipment	579,259	468,846
	44,177,651	42,039,312
Less: Accumulated depreciation	(25,714,564)	(24,214,879)
	18,463,087	17,824,433
Land	833,032	833,032
Total Property and Equipment, net	$ 19,296,119	$ 18,657,465

NOTE 5 - ENDOWMENT

The Organization's endowment consists of the Zach Warrick Discipleship Endowment and the Reffeitt Scholarship Fund established by the Board of Directors to provide annual funding for specific activities.

NOTE 5 - ENDOWMENT (CONTINUED)

The endowment net asset composition by type of fund consisted of the following as of June 30, 2025:

	Without Donor Restrictions	Total
Board Designated - Endowment Funds	$1,097,440	$1,097,440
Total Endowment Funds	$1,097,440	$1,097,440

The endowment net asset composition by type of fund consisted of the following as of June 30, 2024:

	Without Donor Restrictions	Total
Board Designated - Endowment Funds	$1,008,831	$1,008,831
Total Endowment Funds	$1,008,831	$1,008,831

Investment and Spending Policies

The Organization has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. The Organization plans to generate a long-term rate of return in excess of the annual appropriation rate of 5% plus the rate of inflation (as measured by the Consumer Price Index). Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Organization is not required to withdraw funds on an annual basis. The Organization may withdraw on an annual basis between 5% - 10% of total endowed assets and board designated reserves based on the average quarter-end balance from the previous twelve quarters. The annual draw may not exceed 10% of the average earnings from the endowed assets and board designated reserves from the previous twelve quarters. The Organization appropriates expenditures of the Zach Warrick Discipleship Endowment in conjunction with the approval of the annual budget by the Board of Directors. For the Reffeitt Scholarship Fund, $3,000 is to be paid annually for scholarships. The Board of Directors must approve annually whether funds for the scholarships are appropriated from the Reffeitt Scholarship Fund or from operating funds.

NOTE 5 - ENDOWMENT (CONTINUED)

Activity in the endowment by net asset class for fiscal year 2025 and 2024 is summarized as follows:

	Without Donor Restrictions	Total
Endowment at June 30, 2023	$ 835,000	$ 835,000
Investment return	129,856	129,856
Board designations	43,975	43,975
Endowment at June 30, 2024	1,008,831	1,008,831
Investment return	112,257	112,257
Distributions	(23,648)	(23,648)
Endowment at June 30, 2025	$1,097,440	$1,097,440

NOTE 6 - LEASES

The Organization leases certain office equipment under a third-party noncancellable operating lease which expires in August 2025. The Organization leases a bus under a third-party finance lease agreements that expires in October 2025. The finance lease has a residual value guarantee of $24,677.

Total lease cost for the years ended June 30, 2025 and 2024 was as follows:

	2025	2024
Finance lease cost:		
Amortization of right-of-use assets	$14,429	$14,429
Interest on lease liabilities	1,962	1,962
Operating lease cost	20,493	20,493
Total Lease Cost	$36,884	$36,884

The following summarizes the weighted-average remaining lease term, including options to renew for which the Organization is reasonably certain to exercise, and weighted-average discount rate at June 30, 2025 and 2024:

	2025	2024
Weighted-average remaining lease term:		
Finance leases	0.33 years	1.33 years
Operating leases	0.17 years	1.17 years
Weighted-average discount rate:		
Finance leases	9.08%	9.08%
Operating leases	2.85%	2.85%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year were as follows at June 30, 2025:

Payable In Fiscal Year	Finance Lease	Operating Lease	Total
2026	$4,163	$3,924	$8,087
Less: Interest	(239)	(484)	(723)
Total Lease Liabilities	$3,924	$3,440	$7,364

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2025 and 2024, consisted of the following:

	2025	2024
Subject to Expenditures for Specified Purpose:		
School activities	$ 244,761	$107,422
Athletics	304,501	306,694
Food service	45,000	
Academic Innovation	47,144	
Extracurricular	26,712	25,137
Lilly Endowment Grant	773,013	
Other	21,685	87,298
Total Net Assets With Donor Restrictions	$1,462,816	$526,551

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors for fiscal years 2025 and 2024, were comprised of:

	2025	2024
Satisfaction of Purpose Restrictions:		
Development	$ 9,249	$ 16,875
Heritage Fund	289,923	221,328
School activities	29,939	3,865
Athletics	11,716	28,991
Worthy Servants	45,000	35,000
Lilly Endowment Grant	14,488	
Other	436	6,515
Total Net Assets Released from Restrictions	$400,751	$312,574

NOTE 8 - CONTINGENCIES

In the course of normal operations, Heritage is subject to various claims, assessments and litigation that management intends to vigorously defend. The range of loss, if any, from these potential claims cannot be reasonably estimated. However, management believes the ultimate resolution of these matters will not have a material adverse impact on Heritage's business or financial position.

NOTE 9 - RETIREMENT PLAN

Heritage has adopted a 401(k) retirement plan. Heritage's faculty and certain administrative employees can participate in the Plan and are auto-enrolled at the beginning of the first month following employment. Heritage may make a discretionary matching contribution, as well as a discretionary profit-sharing contribution to the Plan. Heritage made contributions of $335,745 and $287,471 to the Plan in fiscal years 2025 and 2024, respectively.

NOTE 10 - TUITION AND FEES - NET OF TUITION ASSISTANCE

Revenue from tuition and fees for fiscal years 2025 and 2024 included the following:

	2025	2024
Tuition:		
Preschool thru middle school	$14,053,676	$12,892,371
High school	8,458,371	8,106,544
Distance learning	93,785	122,365
Educational Support Services	718,393	647,081
	23,324,225	21,768,361

NOTE 10 - TUITION AND FEES - NET OF TUITION ASSISTANCE (CONTINUED)

	2025	2024
Fees:		
Enrollment fees	$ 275,400	$ 274,850
After-school care	228,629	239,507
Summer camp	93,640	72,570
Late payment and NSF charges	6,299	7,010
Application fees	24,750	27,600
Testing fees	11,180	7,162
	639,898	628,699
Total Revenue from Tuition and Fees	23,964,123	22,397,060
Less: Prepaid tuition discount	(41,513)	(42,548)
Less: Tuition assistance	(2,046,901)	(1,294,885)
Net Revenue from Tuition and Fees	$21,875,709	$21,059,627

NOTE 11 - AUXILIARY SERVICES

Auxiliary services revenue for fiscal years 2025 and 2024 included the following:

	2025	2024
Athletics	$320,729	$313,235
Bookstore	61,253	11,469
Booster club/extracurricular	76,444	137,908
Cafeteria	2,089	2,234
Transportation	257,668	208,758
Other	6,285	1,325
	$724,468	$674,929

Auxiliary services expenses for fiscal years 2025 and 2024 included the following:

	2025	2024
Athletics	$1,173,215	$1,122,878
Bookstore	46,398	
Booster club/extracurricular	395,042	484,645
Cafeteria	45,991	30,380
Transportation	314,910	300,460
	$1,975,556	$1,938,363

NOTE 12 - EMPLOYEE RETENTION CREDIT

The Consolidated Appropriations Act, 2021 (CAA) eliminated the restriction that prevented Paycheck Protection Program (PPP) loan borrowers from claiming the Employee Retention Credit (ERC), which was made available under the Coronavirus Aid, Relief and Economic Security Act (CARES Act), and allowed for the ERC to be claimed retroactively by eligible employers. The ERC under the CARES Act is a fully refundable tax credit for eligible employers equal to 50% of qualified wages up to $10,000 paid to each retained employee between March 13 and December 31, 2020. The CAA and American Rescue Plan Act of 2021 extended the availability of the ERC through December 31, 2021, allowing for a fully refundable tax credit for eligible employers equal to 70% of qualified wages up to $10,000 paid to each retained employee per quarter during 2021.

NOTE 12 - EMPLOYEE RETENTION CREDIT (CONTINUED)

In fiscal year 2023, the Organization claimed a retroactive credit of $1,627,309 relating to 2021. Management treated these credits as contributions and determined that conditions related to the credits were substantially met during 2023. Therefore, the Organization recognized support of $1,627,309 related to ERC as of June 30, 2023, in the consolidated statement of activities. In June 2025, the Organization collected $593,260 of the Employee Retention Credit balance. At June 30, 2025 and 2024, the Organization had an ERC receivable balance of $1,034,049 and $1,627,309, respectively. In November 2025, the Organization collected the remaining ERC receivable balance.