

**Cristo Rey Boston High School, Inc.  
and Cristo Rey Boston Corporate  
Work Study Program, Inc.**

**Combined Financial Statements  
and Supplementary Information**

**For the Years Ended  
June 30, 2012 and 2011**

**Contents**

**Page(s)**

Report of independent auditors.....	1
Combined financial statements	
Statements of financial position.....	2
Statement of activities (with comparative totals for 2011).....	3
Statements of cash flows.....	4
Notes to combined financial statements.....	5-17
Report of independent auditors on supplementary information.....	18
Combining supplementary information	
Statement of financial position.....	19
Statement of activities.....	20
Schedules of program services expenses.....	21
Schedules of general and administrative expenses.....	22

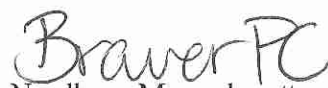
## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of  
**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**  
Dorchester, Massachusetts

We have audited the accompanying combined statements of financial position of **Cristo Rey Boston High School, Inc. and Cristo Rey Boston Corporate Work Study Program, Inc.** (nonprofit organizations) as of June 30, 2012 and 2011, and the related combined statements of cash flows for the years then ended and statement of activities for the year ended June 30, 2012. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's June 30, 2011 financial statements and in our report dated September 16, 2011, we expressed an unqualified opinion on those financial statements.

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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of **Cristo Rey Boston High School, Inc. and Cristo Rey Boston Corporate Work Study Program, Inc.** as of June 30, 2012 and 2011, and their cash flows for the years then ended and the changes in its net assets for the year ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

  
Needham, Massachusetts  
November 21, 2012

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc**

**Combined Statements of Financial Position  
June 30, 2012 and 2011**

<i>Assets</i>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 305,863	\$ 642,434
Restricted cash	317,970	360,892
Accounts receivable, net	159,841	74,713
Pledges receivable, net	55,000	89,000
Prepaid expenses	1,000	720
Investments, at market	256,918	253,571
RCAB support receivable - rent, net	16,959,170	17,233,436
Property and equipment, net	1,555,272	1,029,534
Other assets	2,500	2,500
Beneficial interest in perpetual trust	1,188,042	1,161,255
	<hr/>	<hr/>
Total assets	<u>\$ 20,801,576</u>	<u>\$ 20,848,055</u>
<i>Liabilities and Net Assets</i>		
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 219,925	\$ 146,405
Deferred revenue	97,700	66,085
Student activity deposits	13,096	16,827
Deferred rent	60,000	30,000
Funds held for contracts	174,800	-
	<hr/>	<hr/>
Total liabilities	<u>565,521</u>	<u>259,317</u>
<i>Net assets</i>		
Unrestricted	1,689,582	1,541,005
Temporarily restricted	17,237,291	17,765,338
Permanently restricted	1,309,182	1,282,395
	<hr/>	<hr/>
Total net assets	<u>20,236,055</u>	<u>20,588,738</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 20,801,576</u>	<u>\$ 20,848,055</u>

*The accompanying notes are an integral part of these combined financial statements*

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Combined Statement of Activities  
For the Year Ended June 30, 2012  
(With Comparative Totals for 2011)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
Operating revenues and support					
Tuition, gross	\$ 879,759	\$ -	\$ -	\$ 879,759	\$ 721,300
Financial aid	(479,469)	-	-	(479,469)	(318,315)
Tuition, net	400,290	-	-	400,290	402,985
Sponsor revenue	1,897,140	-	-	1,897,140	1,533,257
Grants and contributions	852,360	110,000	-	962,360	3,458,888
Investment and interest income	54,887	2,373	-	57,260	34,483
Gain on investments	(4,618)	-	26,787	22,169	31,485
School fees	-	-	-	-	165,500
Miscellaneous	15,615	-	-	15,615	35,193
Net assets released from temporary restrictions	366,154	(366,154)	-	-	-
Total operating revenues and support	3,581,828	(253,781)	26,787	3,354,834	5,661,791
Expenses					
Program services	2,209,488	-	-	2,209,488	1,145,449
General and administrative	992,562	-	-	992,562	1,813,001
Fundraising	231,201	-	-	231,201	27,213
Total expenses	3,433,251	-	-	3,433,251	2,985,663
Increase (decrease) in net assets before related party support	148,577	(253,781)	26,787	(78,417)	2,676,128
Related party support					
Fair value of rent - amortization of discount	172,334	-	-	172,334	-
RCAB support	274,266	(274,266)	-	-	17,680,036
Building rent expense	(446,600)	-	-	(446,600)	(446,600)
Total related party support	-	(274,266)	-	(274,266)	17,233,436
Increase (decrease) in net assets	148,577	(528,047)	26,787	(352,683)	19,909,564
Net assets at beginning of the year	1,541,005	17,765,338	1,282,395	20,588,738	-
Net assets at end of the year	\$ 1,689,582	\$ 17,237,291	\$ 1,309,182	\$ 20,236,055	\$ 20,588,738

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Combined Statements of Cash Flows  
For the Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (352,683)	\$ 19,909,564
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	101,796	60,830
Provision for bad debts	9,812	12,893
Non-cash equipment contributions	-	(93,059)
Gain on investments	(22,169)	(31,485)
Investment income reinvested	(5,313)	(4,116)
Fair value of rent adjustment	274,266	(17,233,436)
Forgiveness of line of credit	-	(750,000)
Changes in operating assets and liabilities		
Decrease (increase) in		
Restricted cash	42,922	(232,392)
Accounts receivable	(94,940)	61,782
Pledges receivable	34,000	4,074
Prepaid expenses	(280)	(720)
Beneficial interest in perpetual trust	-	(1,161,255)
Increase (decrease) in		
Accounts payable and accrued expenses	73,520	37,816
Deferred revenue	31,615	(47,055)
Student activity deposits	(3,731)	(18,444)
Deferred rent	30,000	30,000
Funds held for contracts	174,800	-
Net cash provided by operating activities	293,615	544,997
Cash flows from investing activities		
Proceeds from sale of investments	30,651	37,590
Purchase of investments	(33,303)	(35,840)
Purchase of property and equipment	(627,534)	(225,816)
Net cash used in investing activities	(630,186)	(224,066)
Cash flows from financing activities		
Proceeds from line of credit	-	24,886
Net cash provided by financing activities	-	24,886
Net increase (decrease) in cash and cash equivalents	(336,571)	345,817
Cash and cash equivalents at beginning of year	642,434	296,617
Cash and cash equivalents at end of year	\$ 305,863	\$ 642,434
<i>Supplemental Disclosure of Noncash Investing and Financing Activities</i>		
Proceeds from line of credit paid directly to vendors for property and equipment	\$ -	\$ 585,392

*The accompanying notes are an integral part of these combined financial statements*

# **Cristo Rey Boston High School, Inc. and Cristo Rey Boston Corporate Work Study Program, Inc.**

## **Notes to Combined Financial Statements For the Years Ended June 30, 2012 and 2011**

### **1. Organization**

Cristo Rey Boston High School, Inc. operates a Cristo Rey college preparatory school located in Dorchester, Massachusetts (the "School"). The purpose of the School is to fulfill the educational mission of the Roman Catholic Church, the Roman Catholic Archbishop of Boston, the Roman Catholic Archdiocese of Boston (the "RCAB") and the Cristo Rey Network.

Cristo Rey Boston Corporate Work Study Program, Inc. (the "Work Study Program") was incorporated in February 2004, with the following purposes:

- a. To support and assist Cristo Rey Boston High School, Inc. in fulfilling the educational mission of the Roman Catholic Church, the Roman Catholic Archbishop of Boston, the Roman Catholic Archdiocese of Boston and the Cristo Rey Network.
- b. To develop, implement, manage and oversee corporate internship and/or work study programs to enable students enrolled at Cristo Rey Boston High School, Inc. to pay a portion of their tuition and gain hands-on business work experience.
- c. To exclusively perform religious, educational and charitable activities in support of Cristo Rey Boston High School, Inc., the Roman Catholic Church, the Roman Catholic Archbishop of Boston and the Roman Catholic Archdiocese of Boston.

Members of the School and Work Study Program include the Chairman (Archbishop of the Roman Catholic Archdiocese of Boston), the Secretary of Education of the Roman Catholic Archdiocese of Boston, the Chancellor of the Roman Catholic Archdiocese of Boston and other persons who may be appointed by the Chairman. Members of the School and Work Study Program appoint and remove Trustees and Officers as defined in the School's and Work Study Program's by-laws. The Trustees are responsible for the property and business affairs of the School and the Work Study Program.

### **2. Summary of Significant Accounting Policies**

#### *Basis of Accounting*

The accompanying combined financial statements of the School and the Work Study Program are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

#### *Basis of Combination*

The combined financial statements include the accounts of Cristo Rey Boston High School, Inc. and Cristo Rey Boston Corporate Work Study Program, Inc. All significant intercompany transactions and balances are eliminated in combination.

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Notes to Combined Financial Statements  
For the Years Ended June 30, 2012 and 2011**

**2. Summary of Significant Accounting Policies (Continued)**

*Basis of Presentation*

The School and the Work Study Program are required under GAAP to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted Net Assets*

Unrestricted net assets represent those assets which the School and the Work Study Program may use at their discretion.

*Temporarily Restricted Net Assets*

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met whether by actions of the School and/or Work Study Program and/or the passage of time. All temporarily restricted net assets are from the School.

*Permanently Restricted Net Assets*

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the School and/or the Work Study Program. Generally, the donors of those assets permit the School and/or Work Study Program to use all or part of the income earned on related investments for general or specific purposes. All permanently restricted net assets are from the School.

*Use of 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.

*Restricted and Unrestricted Revenue*

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from temporary restrictions.

*Sponsor Revenue*

Sponsor revenue is recognized ratably over the term of the contract for services provided to sponsors that are performed by students of the School.

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Notes to Combined Financial Statements  
For the Years Ended June 30, 2012 and 2011**

**2. Summary of Significant Accounting Policies (Continued)**

*Cash and Cash Equivalents*

For purposes of the combined statements of cash flows, management considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

*Restricted Cash*

Restricted cash represents donor funds restricted for spending on capital improvements for the School building as well as funds held for contracts.

*Accounts Receivable, Pledges Receivable, and RCAB Support Receivable - Rent*

Accounts receivable and pledges receivable are stated at amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable or pledges receivable. Changes in the valuation allowance have not been material to the combined financial statements. Pledges receivable that are expected to be collected within one year are recorded at their net realizable value with no discount.

RCAB support receivable - rent represents the present value of the excess of fair value of rent at the School building over rent expense to be recognized over the life of the Dorchester lease commitment described in Note 11. The discount on this amount is computed using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is included in fair value of rent on the combined statement of activities.

*Investments and Investment Income*

Investments in marketable equity and debt securities with readily determinable fair values are carried at their fair values in the combined statements of financial position. Gains and losses are included in the change in net assets in the accompanying combined statement of activities. Investment income and gains restricted by donors are reported as increases in temporarily restricted net assets. When the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished), they are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from temporary restrictions. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

*Property and Equipment*

All acquisitions of property and equipment in excess of \$1,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets. Estimated useful lives are 3-7 years for furniture, fixtures and equipment; 5 years for vehicles; 3-5 years for computers and equipment; and 15-39 years for building improvements.



**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Notes to Combined Financial Statements  
For the Years Ended June 30, 2012 and 2011**

**2. Summary of Significant Accounting Policies (Continued)**

*Other Assets*

Other assets consist of donated artwork that was recorded at fair market value on the date it was donated.

*Beneficial Interest in Perpetual Trust*

The School carries its beneficial interest in perpetual trust at its fair value in the combined statements of financial position. On a quarterly basis, the School is entitled to dividend income at a rate of 1% of the fair value of the beneficial interest in perpetual trust.

*Deferred Revenue*

Deferred revenue represents deposits and advance payments received for tuition which relate to the School's tuition billed for the following academic year. For the Work Study Program, deferred revenue represents advance payments received from sponsors. Deferred revenues are recorded as unrestricted revenue when earned.

*Funds Held for Contracts*

The School is the fiscal agent for a project in which the School and two other local high schools are participating. The funds held are contractually obligated for payment to teachers and administrators for the project. The project began during the year ended June 30, 2012, and is a planned two-year project.

*Functional Expense Allocation*

The costs of providing various programs and other activities have been summarized on a functional basis in the combined statement of activities. Accordingly, certain direct costs have been applied to the programs and supporting services benefited.

*Income Taxes*

The School and the Work Study Program are both exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The School and the Work Study Program are also exempt from Massachusetts income tax under Massachusetts General Law 180. However, income from certain activities not directly related to the School's and the Work Study Program's tax-exempt purpose is subject to taxation as unrelated business income at both the state and federal levels. In addition, the School and the Work Study Program both qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations other than private foundations under Section 509(a)(2).

The School and Work Study Program evaluate all significant tax positions as required by GAAP. At June 30, 2012 and 2011, the School and Work Study Program do not believe that they have taken any tax positions that would require the recording of any additional tax liability nor do they believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The School and Work Study Program are classified as religious organizations, and are therefore exempt from filing federal and state returns.

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Notes to Combined Financial Statements  
For the Years Ended June 30, 2012 and 2011**

**2. Summary of Significant Accounting Policies (Continued)**

*Donated Assets*

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

*Donated Services*

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School or the Work Study Program.

*Advertising*

The School and Work Study Program expense advertising costs as incurred. Combined advertising expense amounted to \$12,164 and \$27,983 for the years ended June 30, 2012 and 2011, respectively.

*Endowment*

The School's endowment consists of two individual funds established to provide scholarships to students of the School. Its endowment includes both donor-restricted funds and funds designated by the School's Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the School's Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Donor-Restricted Endowment Assets*

The Commonwealth of Massachusetts adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") effective June 30, 2009. The School's policies as to the classification and appropriation of donor-restricted endowment funds are described below and are consistent with the requirements of UPMIFA.

The School classifies as permanently restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor's gift instructions at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted assets is classified as temporarily restricted assets until those amounts are appropriated for expenditure by the School.

The School 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 mission of the School and purpose of the donor-restricted endowment funds,
- (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 the School,
- (7) The investment policies of the School.

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Notes to Combined Financial Statements  
For the Years Ended June 30, 2012 and 2011**

**2. Summary of Significant Accounting Policies (Continued)**

*Investment Return Objectives and Risk Parameters*

The School has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the School's Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The School expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*Comparative Financial Information*

The combined financial statements include certain prior-year summarized comparative information as re-stated in footnote 15, in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the combined financial statements for the year ended June 30, 2011, from which the summarized information was derived.

*Subsequent Events*

The School and the Work Study Program have evaluated all subsequent events through November 21, 2012, the date the combined financial statements were available to be issued.

**3. Accounts Receivable**

Accounts receivable consist of the following at June 30:

	2012	2011
Tuition receivable	\$ 80,890	\$ 35,524
Accounts receivable - sponsors	74,125	44,279
Other receivables	17,963	-
Less allowance for doubtful accounts	(13,137)	(5,090)
Accounts receivable, net	\$ 159,841	\$ 74,713

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Notes to Combined Financial Statements  
For the Years Ended June 30, 2012 and 2011**

**4. Pledges Receivable**

Pledges receivable consist of the following at June 30:

	2012	2011
Amounts due		
Within one year	\$ 55,000	\$ 89,000
Less allowance for doubtful accounts	-	-
Pledges receivable, net	\$ 55,000	\$ 89,000

**5. Fair Value Measurements**

GAAP establishes a fair value hierarchy that 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable;

A financial instrument's 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 following is a description of the valuation methodologies used for assets measured at fair value.

*Beneficial Interest in Perpetual Trust:* Valued at the net asset value of the assets held in trust.

*Money market funds and Mutual funds:* Valued at the net asset value of shares held by the School at year end.

The preceding methods described may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the School 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.

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Notes to Combined Financial Statements  
For the Years Ended June 30, 2012 and 2011**

**5. Fair Value Measurements (Continued)**

The following table sets forth by level, within the fair value hierarchy, the School's assets at fair value, as of June 30, 2012:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short term investments - money market	\$ 8,505	\$ 8,505	\$ -	\$ -
Mutual fund investments				
Mixed bond funds	117,518	117,518	-	-
Large value funds	35,298	35,298	-	-
Large growth funds	52,334	52,334	-	-
International bond funds	32,673	32,673	-	-
International equity funds	2,547	2,547	-	-
High yield funds	8,043	8,043	-	-
Total investments	<u>\$ 256,918</u>	<u>\$ 256,918</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in perpetual trust	<u>\$ 1,188,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,188,042</u>

The following table sets forth by level, within the fair value hierarchy, the School's assets at fair value, as of June 30, 2011:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short term investments - money market	\$ 5,483	\$ 5,483	\$ -	\$ -
Mutual fund investments				
Mixed bond funds	96,840	96,840	-	-
Large value funds	37,682	37,682	-	-
Large growth funds	58,133	58,133	-	-
International bond funds	20,419	20,419	-	-
International equity funds	17,506	17,506	-	-
High yield funds	17,508	17,508	-	-
Total investments	<u>\$ 253,571</u>	<u>\$ 253,571</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in perpetual trust	<u>\$ 1,161,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,161,255</u>

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Notes to Combined Financial Statements  
For the Years Ended June 30, 2012 and 2011**

**6. RCAB Support Receivable - Rent**

This unconditional promise to give represents the present value of the excess of fair value of rent at the School building over rent expense to be recognized over the life of the Dorchester lease commitment described in Note 11. The balance consists of the following at June 30:

	2012	2011
Amounts to be recognized as unrestricted revenue		
Within one year	\$ 446,600	\$ 446,600
Within one to five years	2,233,000	2,233,000
After five years	18,757,200	19,203,800
	21,436,800	21,883,400
Discount on amount to be recognized as unrestricted revenue within one year at 1% per annum	(169,592)	(172,334)
Discount on amount to be recognized as unrestricted revenue after one year at 1% per annum	(4,308,038)	(4,477,630)
RCAB support receivable, net	\$ 16,959,170	\$ 17,233,436

**7. Property and Equipment**

Property and equipment consist of the following major classifications at June 30:

	2012	2011
Furniture, fixtures and equipment	\$ 226,916	\$ 226,916
Vehicles	79,495	61,500
Computers and equipment	21,940	21,940
Building improvements	1,491,498	881,959
	1,819,849	1,192,315
Less accumulated depreciation	264,577	162,781
Property and equipment, net	\$ 1,555,272	\$ 1,029,534

Depreciation expense amounted to \$101,796 and \$60,830 during the years ended June 30, 2012 and 2011, respectively.

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Notes to Combined Financial Statements  
For the Years Ended June 30, 2012 and 2011**

**8. Sale of 40 Norris Street**

In October 2010, the School reached an agreement with the Roman Catholic Archdiocese of Boston (the "Archdiocese") regarding the proceeds of the sale of the 40 Norris Street building in North Cambridge, Massachusetts. This building was sold in June 2010 for a sale price of \$3,600,000. Pursuant to a Memorandum of Understanding between the School, the Archdiocese, and the Parish of Blessed Mother Theresa (the "Parish") in Dorchester, Massachusetts, (the "Memorandum"), the Archdiocese contributed the net proceeds of the sale, following the payment of \$1,200,000 to the Parish and \$238,475 of expenses paid by the Archdiocese, to the School. These net proceeds consisted of (a) the forgiveness of an amount of \$750,000 on a line of credit, (b) \$250,000 of an unrestricted contribution, and (c) an amount of \$1,161,255 that is being held in trust by the Archdiocese (amount is \$1,188,042 at June 30, 2012). Since the School has an irrevocable right to receive the income from the amount held in trust, the School recorded the amount as a beneficial interest in perpetual trust (perpetual trust held by a third party) at June 30, 2012 and 2011, and as a permanently restricted contribution for the year ended June 30, 2011.

**9. Commitments and Contingencies**

Grants, bequests, and endowments often require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, the Board of Trustees deems the contingency unlikely, since by accepting the gifts and their terms, it has made a commitment to fulfill the provisions of the gift.

Pursuant to a Memorandum described in Note 8, the School is required to make payments to the Parish when the School reaches certain enrollment benchmarks.

The School leases copy machines and other equipment under various leases expiring during the year ended June 30, 2017, and incurred rent expense under these leases of \$12,050 and \$13,019 for the years ended June 30, 2012 and 2011, respectively. Future minimum payments under these leases for the next five years amount to \$28,641 in 2013, \$24,320 in 2014, \$22,610 in 2015, \$15,900 in 2016, and \$11,925 in 2017. As an inducement to enter into new copier leases with another company, the School received \$33,995 to pay off its old copier leases. This amount is included in accounts payable and accrued expenses on the combined statements of financial position as of June 30, 2012.

On May 18, 2012, the School entered into a contract with its President. Under the terms of the contract, the School is obligated to compensate the President \$190,962 per year through the contract expiration date of June 30, 2015.

**10. Related Party Transactions**

During the years ended June 30, 2012 and 2011, the Work Study Program recognized \$116,000 and \$133,000, respectively, of sponsor revenue from businesses affiliated with members of the Work Study Program's Board of Trustees.

The Catholic School Foundation is a related organization of the Archdiocese and provided tuition support amounting to \$55,000 and \$50,000 during the years ended June 30, 2012 and 2011, respectively. This amount is included in the accompanying combined statement of activities in the caption grants and contributions.

The School has a beneficial interest in a perpetual trust held by the Archdiocese in the amount of \$1,188,042 and \$1,161,255 at June 30, 2012 and 2011, respectively.

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Notes to Combined Financial Statements  
For the Years Ended June 30, 2012 and 2011**

**11. Lease Agreement – Dorchester School building**

In March 2010, the School signed a lease agreement with the RCAB for the School building in Dorchester, Massachusetts. The term of this agreement is for fifty years starting on July 1, 2010, and terminating on June 30, 2060. Future minimum lease payments are as follows as of June 30, 2010: \$1 per year for Years 1-30 of the lease, \$50,000 per year for Years 31-40, and \$100,000 per year for Years 41-50. Accordingly, building rent expense of \$30,000 has been recognized during the years ended June 30, 2012 and 2011, respectively, and is allocated to program services expenses and general and administrative expenses. Lease payments in Years 31-50 can be reduced by tenant improvements to the School building.

The approximate excess of fair value of rent over rent expense in the lease amounted to \$446,600 during the years ended June 30, 2012 and 2011. This expense is shown in the combined statement of activities under the heading 'related party support'.



**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Notes to Combined Financial Statements  
For the Years Ended June 30, 2012 and 2011**

**12. Temporarily and Permanently Restricted Net Assets**

A summary of activity of temporarily and permanently restricted net assets as of June 30, 2012 is as follows:

	Beginning of Year	Grants and Contributions	Investment Income	Appropriated for Expenditure	End of Year
Temporarily restricted net assets					
Financial assistance	\$ 77,800	\$ -	\$ -	\$ (75,000)	\$ 2,800
Endowment funds - scholarships	11,567	-	2,373	-	13,940
Operating expenses (time-restricted)	14,000	35,000	-	(14,000)	35,000
Capital improvements	416,932	55,000	-	(277,154)	194,778
Other	11,603	20,000	-	-	31,603
RCAB support	17,233,436	-	-	(274,266)	16,959,170
<b>Total</b>	<b>\$ 17,765,338</b>	<b>\$ 110,000</b>	<b>\$ 2,373</b>	<b>\$ (640,420)</b>	<b>\$ 17,237,291</b>
Permanently restricted net assets					
Endowment funds - scholarships	\$ 121,140	\$ -	\$ -	\$ -	\$ 121,140
Beneficial interest in perpetual trust	1,161,255	-	26,787	-	1,188,042
<b>Total</b>	<b>\$ 1,282,395</b>	<b>\$ -</b>	<b>\$ 26,787</b>	<b>\$ -</b>	<b>\$ 1,309,182</b>

A summary of activity of temporarily and permanently restricted net assets as of June 30, 2011 is as follows:

	Beginning of Year	Grants and Contributions	Investment Income	Appropriated for Expenditure	End of Year
Temporarily restricted net assets					
Financial assistance	\$ 25,000	\$ 77,800	\$ -	\$ (25,000)	\$ 77,800
Endowment funds - scholarships	7,812	-	5,505	(1,750)	11,567
Operating expenses (time-restricted)	60,000	14,000	-	(60,000)	14,000
Capital improvements	208,500	407,430	-	(198,998)	416,932
Other	-	11,603	-	-	11,603
RCAB support	-	17,233,436	-	-	17,233,436
<b>Total</b>	<b>\$ 301,312</b>	<b>\$ 17,744,269</b>	<b>\$ 5,505</b>	<b>\$ (285,748)</b>	<b>\$ 17,765,338</b>
Permanently restricted net assets					
Endowment funds - scholarships	\$ 110,099	\$ -	\$ 11,041	\$ -	\$ 121,140
Beneficial interest in perpetual trust	-	1,161,255	-	-	1,161,255
<b>Total</b>	<b>\$ 110,099</b>	<b>\$ 1,161,255</b>	<b>\$ 11,041</b>	<b>\$ -</b>	<b>\$ 1,282,395</b>

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Notes to Combined Financial Statements  
For the Years Ended June 30, 2012 and 2011**

**13. Retirement Plan**

The School and Work Study program participate in the retirement plan of the Archdiocese. The plan is for non-religious employees who are full-time active employees, and are either 1) at least 21 years of age and have earned one year of service credit, or 2) have earned three years of service credit. Contributions to the plan were \$68,615 and \$66,344 during the years ended June 30, 2012 and 2011, respectively.

**14. Concentrations of Credit Risk**

Financial instruments that potentially subject the School and Work Study Program to concentrations of credit risk consist principally of cash and cash equivalents and pledges and accounts receivable. The School and Work Study Program have a potential concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The maximum deposit insurance amount is \$250,000 for interest bearing accounts, which is applied per depositor, per insured depository institution for each account ownership category. Non-interest bearing transaction deposit accounts are provided unlimited insurance coverage through December 31, 2012. At certain times during the year, cash balances may exceed FDIC limits. Concentrations of credit risk with respect to pledges and accounts receivable are limited due to the number of contributors and sponsorships comprising the School's and Work Study Program's contributor and sponsorships base and their dispersion across different industries, government sectors, and geographic areas.

**15. Prior Year Restatement**

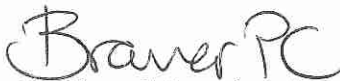
During the year ended June 30, 2012, management discovered two unconditional pledges made to the School during the year ended June 30, 2011 amounting to \$75,000 that were previously unrecorded. As a result, the June 30, 2011 financial statements have been re-stated in the following amounts:

	As originally stated	Re-stated
	<u>                    </u>	<u>                    </u>
Pledges receivables	\$ 14,000	\$ 89,000
Grants and contributions	3,383,888	3,458,888
Increase in net assets	19,834,564	19,909,564
Temporarily restricted net assets at end of the year	17,690,338	17,765,338

## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of  
**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Work Study Program, Inc.**  
Dorchester, Massachusetts

We have audited the combined financial statements of **Cristo Rey Boston High School, Inc. and Cristo Rey Boston Corporate Work Study Program Inc.** (a nonprofit organization) for the year ended June 30, 2012, and have issued our report thereon dated November 21, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and activities, and the combined schedules of program services expenses and general and administrative expenses are presented for the purposes of additional analysis and are not required parts of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

  
Needham, Massachusetts  
November 21, 2012

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Combining Statement of Financial Position  
June 30, 2012**

	<b>Cristo Rey Boston High School, Inc.</b>	<b>Cristo Rey Boston Corporate Work Study Program, Inc.</b>	<b>Combined Totals</b>
<i>Assets</i>			
Cash and cash equivalents	\$ 148,391	\$ 157,472	\$ 305,863
Restricted cash	317,970	-	317,970
Accounts receivable, net	85,716	74,125	159,841
Pledge receivable, net	55,000	-	55,000
Prepaid expenses	1,000	-	1,000
Investments, at market	256,918	-	256,918
RCAB support receivable - rent, net	16,959,170	-	16,959,170
Property and equipment, net	1,555,272	-	1,555,272
Other assets	2,500	-	2,500
Beneficial interest in perpetual trust	1,188,042	-	1,188,042
<b>Total assets</b>	<b>\$ 20,569,979</b>	<b>\$ 231,597</b>	<b>\$ 20,801,576</b>
<i>Liabilities and Net Assets</i>			
<i>Liabilities</i>			
Accounts payable and accrued expenses	\$ 208,137	\$ 11,788	\$ 219,925
Deferred revenue	17,400	80,300	97,700
Student activity deposits	13,096	-	13,096
Deferred rent	60,000	-	60,000
Funds held for contracts	174,800	-	174,800
<b>Total liabilities</b>	<b>473,433</b>	<b>92,088</b>	<b>565,521</b>
<i>Net assets</i>			
Unrestricted	1,550,073	139,509	1,689,582
Temporarily restricted	17,237,291	-	17,237,291
Permanently restricted	1,309,182	-	1,309,182
<b>Total net assets</b>	<b>20,096,546</b>	<b>139,509</b>	<b>20,236,055</b>
<b>Total liabilities and net assets</b>	<b>\$ 20,569,979</b>	<b>\$ 231,597</b>	<b>\$ 20,801,576</b>

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

Combining Statement of Activities  
For the Year Ended June 30, 2012

	Cristo Rey Boston High School, Inc.				Cristo Rey Boston Corporate Work Study Program, Inc.				Eliminations	Combined Totals				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Operating revenues and support														
Tuition, gross	\$ 879,759	\$ -	\$ -	\$ 879,759	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 879,759	\$ -	\$ -	\$ 879,759	
Financial aid	(479,469)	-	-	(479,469)	-	-	-	-	-	(479,469)	-	-	(479,469)	
Tuition, net	400,290	-	-	400,290	-	-	-	-	-	400,290	-	-	400,290	
Sponsor revenue	1,575,000	-	-	1,575,000	1,897,140	-	-	1,897,140	(1,575,000) (a)	1,897,140	-	-	1,897,140	
Grants and contributions	852,360	110,000	-	962,360	-	-	-	-	-	852,360	110,000	-	962,360	
Investment and interest income	54,887	2,373	-	57,260	-	-	-	-	-	54,887	2,373	-	57,260	
Gain on investments	(4,618)	-	26,787	22,169	-	-	-	-	-	(4,618)	-	26,787	22,169	
Miscellaneous	5,415	-	-	5,415	10,200	-	-	10,200	-	15,615	-	-	15,615	
Net assets released from temporary restrictions	366,154	(366,154)	-	-	-	-	-	-	-	366,154	(366,154)	-	-	
Total operating revenues and support	3,249,488	(253,781)	26,787	3,022,494	1,907,340	-	-	1,907,340	(1,575,000)	3,581,828	(253,781)	26,787	3,354,834	
Expenses														
Program services	1,806,550	-	-	1,806,550	1,977,938	-	-	1,977,938	(1,575,000) (a)	2,209,488	-	-	2,209,488	
General and administrative	981,374	-	-	981,374	11,188	-	-	11,188	-	992,562	-	-	992,562	
Fundraising	231,201	-	-	231,201	-	-	-	-	-	231,201	-	-	231,201	
Total expenses	3,019,125	-	-	3,019,125	1,989,126	-	-	1,989,126	(1,575,000)	3,433,251	-	-	3,433,251	
Increase (decrease) in net assets before related party support	230,363	(253,781)	26,787	3,369	(81,786)	-	-	(81,786)	-	148,577	(253,781)	26,787	(78,417)	
Related party support														
Fair value of rent - amortization of discount	172,334	-	-	172,334	-	-	-	-	-	172,334	-	-	172,334	
RCAB support	274,266	(274,266)	-	-	-	-	-	-	-	274,266	(274,266)	-	-	
Building rent expense	(446,600)	-	-	(446,600)	-	-	-	-	-	(446,600)	-	-	(446,600)	
Total related party support	-	(274,266)	-	(274,266)	-	-	-	-	-	-	(274,266)	-	(274,266)	
Increase (decrease) in net assets	230,363	(528,047)	26,787	(270,897)	(81,786)	-	-	(81,786)	-	148,577	(528,047)	26,787	(352,683)	
Net assets at beginning of year	1,319,710	17,765,338	1,282,395	20,367,443	221,295	-	-	221,295	-	1,541,005	17,765,338	1,282,395	20,588,738	
Net assets at end of year	\$ 1,550,073	\$ 17,237,291	\$ 1,309,182	\$ 20,096,546	\$ 139,509	\$ -	\$ -	\$ 139,509	\$ -	\$ 1,689,582	\$ 17,237,291	\$ 1,309,182	\$ 20,236,055	

(a) To eliminate intercompany support and program services expenses

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Combining Schedule of Program Services Expenses  
(Supplementary Information)  
For the Year Ended June 30, 2012**

	<b>Cristo Rey Boston High School, Inc.</b>	<b>Cristo Rey Boston Corporate Work Study Program, Inc.</b>	<b>Combined Totals</b>	<b>Eliminations</b>	<b>Combined Totals</b>
Salaries	\$ 1,261,403	\$ 204,282	\$ 1,465,685	\$ -	\$ 1,465,685
Fringe benefits	276,535	37,900	314,435	-	314,435
Bus drivers	-	58,009	58,009	-	58,009
Textbooks	54,465	-	54,465	-	54,465
Sports programs	53,506	-	53,506	-	53,506
Student activities	44,475	-	44,475	-	44,475
Supplies	40,788	1,253	42,041	-	42,041
Transportation	5,133	30,650	35,783	-	35,783
Student training and seminars	-	27,024	27,024	-	27,024
Student food service	24,254	-	24,254	-	24,254
Building rent	23,970	-	23,970	-	23,970
Leased buses	-	20,711	20,711	-	20,711
Volunteer support	5,057	13,667	18,724	-	18,724
Student testing	13,030	-	13,030	-	13,030
Recruiting	-	8,934	8,934	-	8,934
Miscellaneous	3,934	60	3,994	-	3,994
Sponsor events	-	448	448	-	448
Support payments to Cristo Rey Boston High School, Inc.	-	1,575,000	1,575,000	(1,575,000) (a)	-
	<u>\$ 1,806,550</u>	<u>\$ 1,977,938</u>	<u>\$ 3,784,488</u>	<u>\$ (1,575,000)</u>	<u>\$ 2,209,488</u>

(a) To eliminate intercompany support and program services expenses

**Cristo Rey Boston High School, Inc. and  
Cristo Rey Boston Corporate Work Study Program, Inc.**

**Combining Schedule of General and Administrative Expenses  
(Supplementary Information)  
For the Year Ended June 30, 2012**

	<u>Cristo Rey Boston High School, Inc.</u>	<u>Cristo Rey Boston Corporate Work Study Program, Inc.</u>	<u>Eliminations</u>	<u>Combined Totals</u>
Salaries	\$ 411,838	\$ -	\$ -	\$ 411,838
Fringe benefits	111,817	2,196	-	114,013
Depreciation	101,796	-	-	101,796
Service contracts	98,031	1,343	-	99,374
Professional fees	73,304	3,053	-	76,357
Maintenance	49,024	-	-	49,024
Utilities	35,305	-	-	35,305
Dues and subscriptions	26,758	1,308	-	28,066
Insurance	14,464	-	-	14,464
Advertising	12,164	-	-	12,164
Telephone	9,215	1,438	-	10,653
Provision for bad debts	8,047	1,765	-	9,812
Postage and delivery	8,262	-	-	8,262
Miscellaneous	6,615	-	-	6,615
Building rent	6,030	-	-	6,030
Brochures and printing	3,129	-	-	3,129
Office supplies	3,040	-	-	3,040
Bank and brokerage fees	2,535	85	-	2,620
	<u>\$ 981,374</u>	<u>\$ 11,188</u>	<u>\$ -</u>	<u>\$ 992,562</u>