

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

Combined Financial Statements
and Supplementary Information

Years Ended
June 30, 2021 and 2020



AUDIT
TAX
ADVISORY

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

Combined Financial Statements
Years Ended June 30, 2021 and 2020

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Independent Auditor's Report

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

We have audited the accompanying combined financial statements of Cristo Rey Boston High School, Inc. and Cristo Rey Boston Corporate Work Study Program, Inc. (nonprofit organizations), which comprise the combined statements of financial position as of June 30, 2021 and 2020, the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

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, 2021 and 2020, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining schedules of financial position and activities (pages 28-29) are presented for purposes of additional analysis and are not a required part of the combined financial statements. The supplementary information includes certain combining information for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and is also not a required part of the combined financial statements. Such information is the responsibility of management and is 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 to 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.



Wakefield, Massachusetts
December 7, 2021

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

Combined Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,212,228	\$ 619,176
Accounts receivable, net	65,400	165,544
Dividends receivable	14,790	-
Tax credit receivable	809,749	-
RCAB support receivable - rent, short term portion	302,960	299,960
Other current assets	500	500
Total current assets	<u>2,405,627</u>	<u>1,085,180</u>
Property and equipment, net	<u>1,489,241</u>	<u>1,501,720</u>
Other assets:		
Beneficial interest in perpetual trust	1,478,993	1,167,789
Beneficial interest in scholarship trust	194,119	188,194
RCAB support receivable - rent, net of short term portion	<u>14,061,050</u>	<u>14,364,010</u>
Total other assets	<u>15,734,162</u>	<u>15,719,993</u>
Total assets	<u>\$ 19,629,030</u>	<u>\$ 18,306,893</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 203,162	\$ 204,332
Line of credit	-	275,000
Current portion of notes payable	45,305	65,920
Refundable advance - payroll protection program	542,402	597,500
Deferred revenue	<u>209,245</u>	<u>36,000</u>
Total current liabilities	<u>1,000,114</u>	<u>1,178,752</u>
Other liabilities:		
Deferred rent	330,000	300,000
Notes payable, net of current portion	<u>221,229</u>	<u>267,413</u>
Total other liabilities	<u>551,229</u>	<u>567,413</u>
Total liabilities	<u>1,551,343</u>	<u>1,746,165</u>
Net assets:		
Without donor restrictions	1,970,568	480,066
With donor restrictions	<u>16,107,119</u>	<u>16,080,662</u>
Total net assets	<u>18,077,687</u>	<u>16,560,728</u>
Total liabilities and net assets	<u>\$ 19,629,030</u>	<u>\$ 18,306,893</u>

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

Combined Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support:			
Tuition, gross	\$ 1,936,473	\$ -	\$ 1,936,473
Financial aid	(1,880,563)	-	(1,880,563)
Tuition, net	55,910	-	55,910
Sponsor revenue	1,022,250	-	1,022,250
Grants and contributions	2,830,834	658,956	3,489,790
Miscellaneous	37,231	-	37,231
Net assets released from donor restrictions	741,344	(741,344)	-
Tax credit income	809,749	-	809,749
Debt extinguishment	597,500	-	597,500
Total operating revenues and support	<u>6,094,818</u>	<u>(82,388)</u>	<u>6,012,430</u>
Expenses:			
Program services	3,220,252	-	3,220,252
General and administrative	873,439	-	873,439
Fundraising	513,873	-	513,873
Total expenses	<u>4,607,564</u>	<u>-</u>	<u>4,607,564</u>
Investment income, net	<u>248</u>	<u>408,805</u>	<u>409,053</u>
Realized gain on sale of vehicle	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Increase in net assets before related party support	<u>1,490,502</u>	<u>326,417</u>	<u>1,816,919</u>
Related party support (expense):			
Fair value of rent - amortization of discount	146,640	-	146,640
Fair value of rent adjustment	299,960	(299,960)	-
Building rent expense	(446,600)	-	(446,600)
Total related party support (expense)	<u>-</u>	<u>(299,960)</u>	<u>(299,960)</u>
Increase in net assets	1,490,502	26,457	1,516,959
Net assets at beginning of year	<u>480,066</u>	<u>16,080,662</u>	<u>16,560,728</u>
Net assets at end of year	<u>\$ 1,970,568</u>	<u>\$ 16,107,119</u>	<u>\$ 18,077,687</u>

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

Combined Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support:			
Tuition, gross	\$ 2,332,146	\$ -	\$ 2,332,146
Financial aid	<u>(2,106,140)</u>	<u>-</u>	<u>(2,106,140)</u>
Tuition, net	226,006	-	226,006
Sponsor revenue	1,736,701	-	1,736,701
Grants and contributions	1,505,967	238,900	1,744,867
Miscellaneous	56,666	-	56,666
Net assets released from donor restrictions	<u>291,115</u>	<u>(291,115)</u>	<u>-</u>
Total operating revenues and support	<u>3,816,455</u>	<u>(52,215)</u>	<u>3,764,240</u>
Expenses:			
Program services	3,349,590	-	3,349,590
General and administrative	861,891	-	861,891
Fundraising	<u>471,025</u>	<u>-</u>	<u>471,025</u>
Total expenses	<u>4,682,506</u>	<u>-</u>	<u>4,682,506</u>
Investment income, net	<u>1,207</u>	<u>46,276</u>	<u>47,483</u>
(Decrease) in net assets before related party support	<u>(864,844)</u>	<u>(5,939)</u>	<u>(870,783)</u>
Related party support (expense):			
Fair value of rent - amortization of discount	149,608	-	149,608
Fair value of rent adjustment	296,992	(296,992)	-
Building rent expense	<u>(446,600)</u>	<u>-</u>	<u>(446,600)</u>
Total related party support (expense)	<u>-</u>	<u>(296,992)</u>	<u>(296,992)</u>
Decrease in net assets	(864,844)	(302,931)	(1,167,775)
Net assets at beginning of year	<u>1,344,910</u>	<u>16,383,593</u>	<u>17,728,503</u>
Net assets at end of year	<u>\$ 480,066</u>	<u>\$ 16,080,662</u>	<u>\$ 16,560,728</u>

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

Statement of Functional Expenses
Year Ended June 30, 2021

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	
Salaries and wages	\$ 2,227,737	\$ 421,795	\$ 222,477	\$ 2,872,009
Fringe benefits	368,600	113,777	35,209	517,586
Maintenance	118,786	56,735	-	175,521
Professional fees	-	67,484	95,654	163,138
Events	-	-	140,463	140,463
Depreciation	95,872	38,063	-	133,935
Supplies	67,933	9,183	-	77,116
Dues and subscriptions	-	59,577	7,566	67,143
Service contracts	46,809	17,907	-	64,716
Transportation and travel	44,751	20	-	44,771
Bad debt	-	44,065	-	44,065
Student food service	35,782	-	-	35,782
Volunteer support	32,984	-	-	32,984
Telephone	20,748	10,201	-	30,949
Building rent	24,000	6,000	-	30,000
Miscellaneous	20,846	4,464	1,714	27,024
Insurance	18,227	7,812	-	26,039
Student activities	23,603	-	-	23,603
Sports programs	17,099	-	-	17,099
Utilities	10,667	4,571	-	15,238
Bank and brokerage fees	-	4,222	9,499	13,721
Student testing	13,311	-	-	13,311
Interest	7,153	4,876	-	12,029
Bus drivers	11,874	-	-	11,874
Textbooks	11,424	-	-	11,424
Postage and delivery	2,046	1,459	1,291	4,796
Advertising	-	1,228	-	1,228
Total	\$ 3,220,252	\$ 873,439	\$ 513,873	\$ 4,607,564

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

Statement of Functional Expenses
Year Ended June 30, 2020

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	
Salaries and wages	\$ 2,147,462	\$ 377,809	\$ 187,537	\$ 2,712,808
Fringe benefits	356,853	110,185	20,246	487,284
Professional fees	-	44,501	155,752	200,253
Maintenance	116,614	52,127	-	168,741
Depreciation	90,278	38,506	-	128,784
Supplies	100,940	14,333	-	115,273
Bad debt	-	100,696	-	100,696
Bus drivers	86,763	-	-	86,763
Events	-	-	84,690	84,690
Sports programs	76,857	-	-	76,857
Dues and subscriptions	-	59,094	7,345	66,439
Transportation and travel	58,139	2,008	332	60,479
Service contracts	41,011	16,007	-	57,018
Student food service	50,419	-	-	50,419
Textbooks	49,623	-	-	49,623
Volunteer support	49,100	-	-	49,100
Building rent	24,000	6,000	-	30,000
Miscellaneous	11,856	6,686	7,251	25,793
Insurance	16,773	7,188	-	23,961
Utilities	14,893	6,383	-	21,276
Telephone	12,760	6,870	-	19,630
Student activities	17,251	-	-	17,251
Interest	11,369	5,217	-	16,586
Bank and brokerage fees	-	6,068	7,270	13,338
Student testing	10,604	-	-	10,604
Postage and delivery	3,520	1,508	602	5,630
Student training and seminars	2,505	-	-	2,505
Advertising	-	705	-	705
Total	\$ 3,349,590	\$ 861,891	\$ 471,025	\$ 4,682,506

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

Combined Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,516,959	\$ (1,167,775)
Adjustments to reconcile net decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	133,935	128,784
Provision for doubtful accounts	(52,816)	(16,718)
Debt extinguishment	(597,500)	-
Realized and unrealized gains on investments	(396,740)	(38,050)
Gain on sale of property and equipment	(3,000)	-
Investment income reinvested	(12,065)	(9,680)
Fair value of rent adjustment	299,960	296,992
Increases (decreases) in cash resulting from changes in operating assets and liabilities:		
Pledges receivable	-	38,877
Accounts receivable	152,960	12,516
Dividends receivable	(14,790)	-
Tax credit receivable	(809,749)	-
Accounts payable and accrued expenses	(1,170)	30,696
Deferred revenue	173,245	(81,000)
Deferred rent	<u>30,000</u>	<u>30,000</u>
Net cash provided by (used in) operating activities	<u>419,229</u>	<u>(775,358)</u>
Cash flows from investing activities:		
Net proceeds from sale of investments	91,676	58,706
Net proceeds from sale of property and equipment	3,000	-
Purchase of property and equipment	<u>(121,456)</u>	<u>(6,400)</u>
Net cash provided by (used in) investing activities	<u>(26,780)</u>	<u>52,306</u>
Cash flows from financing activities:		
Proceeds from issuance of notes payable	-	150,265
Proceeds from (repayments to) line of credit	(275,000)	275,000
Refundable advance - payroll protection program	542,402	597,500
Principal payments on note payable	<u>(66,799)</u>	<u>(63,101)</u>
Net cash provided by financing activities	<u>200,603</u>	<u>959,664</u>
Net increase in cash and cash equivalents	593,052	236,612
Cash and cash equivalents, beginning of year	<u>619,176</u>	<u>382,564</u>
Cash and cash equivalents, end of year	<u>\$ 1,212,228</u>	<u>\$ 619,176</u>

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 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" or "WSP") 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.

Note 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 (together the "Organization"). All significant intercompany transactions and balances are eliminated in the combination.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Changes in Accounting Principles

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU provides the framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and not-for-profit entities. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective July 1, 2019 using the modified retrospective method. The adoption of this standard did not have a material impact on the Organization's financial statements.

In June 2018, FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU is intended to clarify the guidance in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional.

In determining whether a donor is participating in an exchange transaction, the ASU clarifies such classification by evaluating whether a donor is receiving commensurate value in return for the resources transferred. The ASU provides further guidance on measuring commensurate value which is based on additional guidelines. If the donor is receiving commensurate value in return for their contribution, the transaction should be deemed as an exchange transaction.

The ASU specifies that an entity can determine whether a contribution is conditional based on the condition(s) on which the contribution is received. Contractual limitations, which restrict the recipient in utilization of the contribution, and guidelines that the recipient must adhere to can deem a contribution to be conditional. Additionally, the ASU further details examples of performance related barriers, and stipulations that if present, could classify contributions as conditional.

This ASU is effective for years beginning after December 15, 2018 and has been applied by the Organization on a modified prospective basis for the year ending June 30, 2020. The adoption of this ASU did not have a material effect on the Organization's financial statements.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation

The School and the Work Study Program have presented its financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. Under this guidance, the School and the Work Study Program are required to classify resources for reporting purposes on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of unrestricted donations, sponsor revenue, tuition, and the related expenses associated with the activities of the School and Work Study Program. In addition to these transactions, changes in this category of net assets include investment returns and amounts released from donor restrictions.

With Donor Restrictions

Net assets subject to donor-imposed restrictions that will be met either by actions of the School and Work Study Program or the passage of time. Items that affect this net asset category are:

- a) A discounted lease agreement with the Roman Catholic Archdiocese of Boston (RCAB) granting the school discounted rent on the school building.
- b) A perpetual trust from the RCAB, with the School entitled to receive 1% of the fair value of the fund quarterly to fund operations.
- c) An endowment fund for scholarships for students in the School who achieve a 90% or above in their academic classes for the year, to students with proven financial need. Up to a 5% return on the endowment can be used for these scholarships each year.
- d) Various other donor-imposed restrictions requiring the School or Work-Study Program to spend the donation on a particular project or for a particular purpose.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could vary from those estimates.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Paychex Protection Program (PPP)

The School and WSP received Paycheck Protection Program (PPP) forgivable loans under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and the Consolidated Appropriations Act ("CAA"), CARES Act and the CAA as described in Note 11. The amounts received under these programs are being accounted for under a debt model prescribed under ASC 470, Debt, whereas the loan proceeds will be accounted for as a note payable until such time as a forgiveness determination has been made by the Small Business Administration ("SBA") and/or received from the School and WSP's lender under the PPP. The amounts forgiven will be reported as debt extinguishment on the statement of activities. During December 2020 and January 2021, the School and WSP was notified by the lender that the Round 1 loans had been forgiven, and as such, the amount has been recorded as a debt extinguishment during the year ended June 30, 2021.

Employee Retention Credit (ERC)

Under the provisions of the CARES Act, the Organization is eligible for a refundable employee retention credit, subject to certain criteria. Based on an analysis of the ERC eligibility criteria, the Organization has applied for a refundable tax credit of \$809,749 (the School and Work Study Program applied for \$245,612 and \$45,548, respectively). The Organization is accounting for the ERC under ASC 958-605 (ASC 958) "Not-for-Profit Entities:-Revenue Recognition". Under ASC 958 the Organization will record the income when it incurs qualifying expenses. The Organization believes it has met the eligibility criteria of the ERC and incurred qualifying expenses. Therefore, the Organization has recorded tax credit income of \$809,749, during the year ended June 30, 2021, and a tax credit receivable for the same amount.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from 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 Organization.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 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.

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

Accounts receivable consists of amounts due from students for tuition and amounts due from companies for work study. 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. Conditional promises to give are not recognized in the combined financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received. There are no unconditional promises to give that are expected to be collected in more than one year as of June 30, 2021 and 2020. During the year ended June 30, 2021, the school ceased to charge tuition and all old tuition accounts receivable balances were written off.

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 14. 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 statements of activities. The investment income realized and unrealized gains and losses on net assets with donor restrictions are accounted for as increase or decrease in net assets with donor restrictions. When the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished), they are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions 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.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$1,500 and all expenditures for repairs, maintenance, renewals, and betterments that 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.

Long lived assets, such as property and equipment, are reviewed on an ongoing basis for impairment based on comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets' carrying amounts are adjusted to fair value. There were no such adjustments during the years ended June 30, 2021 and 2020.

Beneficial Interest in Perpetual Trust

The School carries its beneficial interest in a 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 the perpetual trust.

Deferred Revenue

Deferred revenue represents deposits and advance payments received for school fees which relate to School fees 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.

Functional Allocation of Expenses

The costs of programs and supporting service activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited.

The financial statements report contains categories of expenses that are attributed to more than one program of supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include employee compensation and related expenses, occupancy, various other programs and administrative costs, and depreciation. These expenses have been allocated on the basis of estimated time and effort, square footage as well as other reasonable allocation methods.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

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 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).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School and Work Study Program have taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the combined financial statements. If the School and Work Study Program were to incur a federal or state income tax liability in the future, interest and penalties would be reported as income taxes. The School and Work Study Program are subject to routine audits by taxing jurisdictions and generally remain open for the most recent three years; however, there are currently no audits for any tax periods in progress.

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 \$1,228 and \$705 for the years ended June 30, 2021 and 2020, respectively.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Donor-Restricted Endowment Assets

The Commonwealth of Massachusetts adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") effective June 30, 2009. The Organization'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 Organization classifies as net assets with donor restrictions (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 portion of the donor-restricted endowment, that may be released from restrictions, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization and will be reclassified to net assets without donor restrictions.

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

The Organization 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 Organization must hold in perpetuity or for a donor specified period as well as board-designated funds. Under this policy, as approved by the Organization'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 Organization 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.

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization 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.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Reclassification

Certain amounts in the 2020 financial statements have been reclassified to conform with the 2021 presentation. These reclassifications had no effect on the net income of the Organization.

Subsequent Events

The School and the Work Study Program have evaluated all subsequent events through December 7, 2021, the date the combined financial statements were available to be issued.

Note 3 - Accounts Receivable

Accounts receivable consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Accounts receivable - sponsors	\$ 72,150	\$ 121,500
Accounts receivable	-	103,610
Less: allowance for doubtful accounts	<u>(6,750)</u>	<u>(59,566)</u>
Accounts receivable, net	<u>\$ 65,400</u>	<u>\$ 165,544</u>

Note 4 - 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;

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 4 – Fair Value Measurements (continued)

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 Organization 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 Organization 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value, as of June 30, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short term investments -				
money market	\$ 11,999	\$ 11,999	\$ -	\$ -
Mutual Funds:				
Fixed income				
Short term	33,672	33,672	-	-
Intermediate	25,921	25,921	-	-
Equities				
Large cap	<u>122,527</u>	<u>122,527</u>	<u>-</u>	<u>-</u>
Total investments and scholarship trust	<u>\$ 194,119</u>	<u>\$ 194,119</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in perpetual trust	<u>\$ 1,478,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,478,993</u>

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 4 – Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value, as of June 30, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short term investments -				
money market	\$ 6,635	\$ 6,635	\$ -	\$ -
Mutual Funds:				
Fixed income				
Short term	30,423	30,423	-	-
Intermediate	30,193	30,193	-	-
Equities				
Large cap	<u>120,943</u>	<u>120,943</u>	<u>-</u>	<u>-</u>
Total investments and scholarship trust	<u>\$ 188,194</u>	<u>\$ 188,194</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in perpetual trust	<u>\$ 1,167,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,167,789</u>

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2021 and 2020.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

	<u>2021</u>	<u>2020</u>
Beneficial interest in perpetual trust		
Fair value, beginning of year	\$ 1,167,789	\$ 1,193,719
Withdrawals	(62,876)	(46,452)
Investment gain	<u>374,080</u>	<u>20,522</u>
Fair value, end of year	<u>\$ 1,478,993</u>	<u>\$ 1,167,789</u>

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 5 - 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 14. This amount is not a liquid asset (and as such cannot be construed as available cash): however, it represents the difference between the rents to be paid under the lease and fair market value of the rents that would be paid on the open market. The balance consists of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Amounts to be recognized as unrestricted revenue		
Within one year	\$ 446,600	\$ 446,600
Within two to five years	1,786,400	1,786,400
After five years	<u>15,184,400</u>	<u>15,631,000</u>
	17,417,400	17,864,000
Discount on amount to be recognized as unrestricted revenue within one year at 1% per annum	(143,640)	(146,640)
Discount on amount to be recognized as unrestricted revenue after one year at 1% per annum	(2,909,749)	(3,053,388)
RCAB support receivable - rent, short term portion	<u>(302,960)</u>	<u>(299,960)</u>
RCAB support receivable - rent, net of short term portion	<u>\$ 14,061,051</u>	<u>\$ 14,364,012</u>

Note 6 – Property and Equipment

Property and equipment consist of the following major classifications at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures and equipment	\$ 223,777	\$ 216,869
Vehicles	126,941	134,254
Computers and equipment	197,048	104,905
Building improvements	<u>2,278,147</u>	<u>2,266,147</u>
	2,825,913	2,722,175
Accumulated depreciation	<u>(1,336,672)</u>	<u>(1,220,455)</u>
Property and equipment, net	<u>\$ 1,489,241</u>	<u>\$ 1,501,720</u>

Depreciation expense amounted to \$133,935 and \$128,784 during the years ended June 30, 2021 and 2020, respectively.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 7 – Financial Assets and Liquidity Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of its programs as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2021, financial assets, liabilities and liquidity resources available within one year for general expenditure, such as operating expenses, principal payments on debt and capital improvements, were as follows:

	<u>2021</u>
Financial assets:	
Cash and cash equivalents	\$ 1,212,228
Accounts receivable, net	65,400
Dividends receivable	14,790
Tax credit receivable	809,749
Perpetual trust dividends ¹	44,370
Total financial assets available within one year	<u>\$ 2,146,537</u>

¹ As noted in Note 2 "Beneficial Interest in Perpetual Trust" the Organization receives 1% quarterly dividends from the perpetual trust, 1% was already declared and the amount here is 3% of the value as of June 30, 2021, this value is estimated and will fluctuate based on investment income or losses.

In addition, to assist in managing liquidity, the Organization has a \$300,000 line of credit available from the RCAB, as described in Note 9, with \$300,000 available as of June 30, 2021.

Note 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 (as of October 2010) that is being held in trust by the Archdiocese (amount is \$1,478,993 and \$1,167,789 at June 30, 2021 and 2020, respectively). 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, 2021 and 2020.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 9 – Line of Credit

In January 2019, the School entered into a line of credit agreement with the RCAB. The line of credit provided borrowings up to a maximum of \$300,000 and is secured by the School's investments in the School's Common Investment Fund Endowment account (see Note 15). Advances on the line bear interest at the rate of 3.75%, and interest and one fourth of the outstanding principal were payable quarterly on the 15th day of each quarter. This line had an outstanding balance of \$275,000 as of June 30, 2020 and it expires on December 15, 2023. There was no balance outstanding as of June 30, 2021.

Note 10 – Notes Payable

In July 2012, the School entered into a note payable with the RCAB. The limit on the note payable was \$200,000, of which \$22,053 was outstanding as of June 30, 2020. The note payable accrued interest at a rate set by RCAB (3.75% as of June 30, 2020), with monthly principal and interest payments of \$2,121, payable monthly until the balance was paid in full. The note was secured by the School's investments in the School's Common Investment Fund Endowment account. Interest paid on the note payable was \$415 and \$1,363 for the years ended June 30, 2021 and 2020, respectively. The note was paid in full during the year ended June 30, 2021.

In January 2019, the School entered into a promissory note with the RCAB. The note provided \$200,000, of which \$116,534 and \$161,280 was outstanding as of June 30, 2021 and 2020, respectively. The note is secured by the School's investments in the School's Common Investment Fund Endowment account. Advances on the line bear interest at the rate of 3.75% as of June 30, 2021 and 2020 and equal installment payments of \$12,303, including interest, are due the 15th of every quarter beginning September 15, 2019 through December 15, 2023.

In April 2020, the School applied for and subsequently received a \$150,000 loan under the Economic Injury Disaster Loan program (EIDL program). Loans issued under this program are not forgivable, carry a 2.75% interest rate (not-for-profit interest rate), and must be repaid within a maximum term of 30 years. All borrowings are payable in monthly installments of principal and interest amounting to \$642 starting on May 31, 2022 and maturing on May 31, 2050.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 10 – Notes Payable (continued)

The required future principal payments for the next five years and in aggregation are as follows:

<u>Fiscal Year</u>	<u>Principle Payment</u>
2022	\$ 45,305
2023	47,086
2024	24,143
2025	2,982
2026	3,707
Thereafter	143,311
	<u>\$ 266,534</u>

Note 11 – Refundable Advance – Payroll Protection Program

Paychex Protection Program (PPP) Round One

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law. The CARES Act provides numerous programs in an attempt to stabilize the economy and offer relief to small businesses and individuals. One of the programs established under the CARES Act is the Paychex Protection Program (“PPP”) which is administered by the Small Business Administration’s (“SBA”) 7(a) loan program. During April 2020, the Organization received loans from a financial institution in the amount of \$597,500 (the School and Work Study Program received \$510,500 and \$87,000, respectively) to fund payroll, rent, utilities, and interest on mortgages and existing debt arrangements through the Paycheck Protection Program (the “PPP Loan”) over the prescribed period, as amended. The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and the unforgiven portion was due between two to five years. The monthly loan principal and interest payments, if any, may be deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. Forgiveness is subject to compliance with the conditions of the PPP and approval from the SBA based principally on the timing and use of these funds in accordance with the program.

The Organization submitted its applications for loan forgiveness in accordance with SBA and bank guidelines during December 2020 and January 2021 and the applications were approved during December 2020 and January 2021. The amounts forgiven are recorded as debt extinguishment on the accompanying statement of activities for the year ended June 30, 2021.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 11 – Refundable Advance – Payroll Protection Program (continued)

Paychex Protection Program (PPP) Round Two

On December 27, 2020, the Consolidated Appropriations Act, 2021 ("CAA") was signed into law. The CAA enhances and expands certain provisions of the Coronavirus Aid, Relief, and Economic Security Act ("CARES ACT"). The CAA provides numerous programs in a further attempt to stabilize the economy and offer relief to small businesses and individuals. One of the programs established under the CAA is the Second Draw Paycheck Protection Program ("PPP2") which is administered by the Small Business Administration's ("SBA") 7(a) loan program. Loans issued under this program carry substantially the same provisions established under the initial PPP loan program. These loans continue to be 100% guaranteed by the SBA, are eligible for forgiveness and carry a 1% interest rate. In addition, no payments are due until a forgiveness determination is reached. Amounts will be forgiven if the funds are used for certain qualified expenses (as defined in the agreement and within the CAA) within the prescribed period. Amounts not forgiven are due within five years of the issue date of the loan. During January 2021, the Organization applied for \$542,402 (the School and Work Study Program received \$450,437 and \$91,965, respectively) under this program and was approved for funding in February 2021. The amount of the loan that is forgiven will be determined by the qualified expenditures incurred during the prescribed period following the funding (see Note 20). The loan could be subject to amendment based on additional legislation.

Note 12 – 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 gifts.

Pursuant to the Memorandum described in Note 8, the School is required to make payments to the Parish when the School reaches certain enrollment benchmarks. The School did not reach that benchmark for the years ended June 30, 2021 and 2020, and as such did not include any additional rent in the statement of activities for 2021 and 2020.

The Organization leases copy machines and other equipment on an annual basis, and incurred rent expense including some operating costs under these leases of \$17,066 and \$16,875 for the years ended June 30, 2021 and 2020, respectively. The Organization considers future minimum lease payments required under the agreements to be immaterial to the financial statements.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 13 – Related Party Transactions

During the years ended June 30, 2021 and 2020, the Work Study Program recognized \$189,000 and \$225,000, 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 \$431,200 and \$157,700 during the years ended June 30, 2021 and 2020, respectively. This amount is included in the accompanying combined statements 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 \$1,478,993 and \$1,167,789 at June 30, 2021 and 2020, respectively.

Note 14 – 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 starting 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. Because of the increases in rent, over the life of the lease the School records rent expense on a straight-line basis over the life of the lease, which differs from the actual rent payment schedule. The corresponding liability is recorded as deferred rent in the accompanying combined balance sheet. The balance of deferred rent as of June 30, 2021 and 2020 was \$330,000 and \$300,000, respectively. Accordingly, building rent expense of \$30,000 has been recognized during the years ended June 30, 2021 and 2020, 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, 2021 and 2020. This expense is shown in the combined statements of activities under the heading "related party support." The School also released \$299,960 and \$296,992 from donor imposed restricted net assets as of June 30, 2021 and 2020, respectively, and realized \$146,640 and \$149,608 in the amortization of the discount for the fair value of the rent as of June 30, 2021 and 2020, respectively. Both the release from restriction and the amortization of the discount for the fair value of the rent are shown in the combined statements of activities under the heading "related party support (expense)".

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 15 – Donor Imposed Restricted Net Assets

A summary of activity of donor imposed restricted net assets as of June 30, 2021 is as follows:

	Beginning of Year	Grants and Contributions	Investment Income (Loss)	Appropriated for Expenditure	End of Year
a) RCAB lease	\$ 14,663,970	\$ -	\$ -	\$ (299,960)	\$ 14,364,010
b) RCAB perpetual trust	1,167,789	-	374,080	(62,876)	1,478,993
c) Endowment funds - scholarships	188,194	-	34,725	(28,800)	194,119
d) Other	60,709	658,956	-	(649,668)	69,997
Total	<u>\$ 16,080,662</u>	<u>\$ 658,956</u>	<u>\$ 408,805</u>	<u>\$ (1,041,304)</u>	<u>\$ 16,107,119</u>

A summary of activity of donor imposed restricted net assets as of June 30, 2020 is as follows:

	Beginning of Year	Grants and Contributions	Investment Income (Loss)	Appropriated for Expenditure	End of Year
a) RCAB lease	\$ 14,960,962	\$ -	\$ -	\$ (296,992)	\$ 14,663,970
b) RCAB perpetual trust	1,193,719	-	20,522	(46,452)	1,167,789
c) Endowment funds - scholarships	173,240	-	25,754	(10,800)	188,194
d) Other	55,672	238,900	-	(233,863)	60,709
Total	<u>\$ 16,383,593</u>	<u>\$ 238,900</u>	<u>\$ 46,276</u>	<u>\$ (588,107)</u>	<u>\$ 16,080,662</u>

Note 16 – Retirement Plan

The Organization participates 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 \$50,565 and \$44,565 during the years ended June 30, 2021 and 2020, respectively. The Organization paid \$2,303 and \$1,952 in administration fees for the years ended June 30, 2021 and 2020, respectively.

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

Notes to Combined Financial Statements
Years Ended June 30, 2021 and 2020

Note 17 – Supplemental Disclosure of Cash Flow Information

Cash paid for interest during the years ended June 30, 2021 and 2020, was \$6,033 and \$16,242, respectively.

Note 18 – 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, 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 FDIC insures up to \$250,000, per depositor, per insured depository institution for each account ownership category. All of the School and Work Study Programs' cash is held at two institutions. As of June 30, 2021, the Organization had cash deposits in excess of federally insured limits of approximately \$756,000. As of June 30, 2020, the Organization had cash deposits in excess of federally insured limits of approximately \$240,000. 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.

Note 19 – Risk and Uncertainties

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." This outbreak has affected virtually every industry and has created volatility in the stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. Currently, many restrictions on conducting business and economic activity in the Commonwealth of Massachusetts have been removed as of the issuance of these financial statements. The extent of the impact of the COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, related advisories and restrictions, the availability of a vaccine and the impact of the COVID-19 on overall demand and supply chain interruption, all of which are highly uncertain and cannot be predicted. If the duration of the outbreak continues for an extended period of time, our results of operations for 2022 may be materially adversely affected.

Note 20 – Subsequent Event

In August 2021, the Organization submitted its applications for PPP Round 2 loan forgiveness (see Note 11). In October 2021 the SBA has formally forgiven the Organization's obligation under these PPP Round 2 loans, the Organization will record the forgiveness of the loan in fiscal year 2022.

Supplementary Information

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

Combining Schedule of Financial Position
Year Ended June 30, 2021

	Cristo Rey Boston High School, Inc.	Cristo Rey Boston Corporate Work Study Program, Inc.	Eliminations	Combined Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ 569,334	\$ 642,894	\$ -	\$ 1,212,228
Accounts receivable, net	-	65,400	-	65,400
Dividend receivable	14,790	-	-	14,790
Tax credit receivable	679,083	130,666	-	809,749
RCAB support receivable - rent, short term portion	302,960	-	-	302,960
Other current assets	500	-	-	500
Total current assets	<u>1,566,667</u>	<u>838,960</u>	<u>-</u>	<u>2,405,627</u>
Property and equipment, net	<u>1,489,241</u>	<u>-</u>	<u>-</u>	<u>1,489,241</u>
Other assets:				
Beneficial interest in perpetual trust	1,478,993	-	-	1,478,993
Beneficial interest in scholarship trust	194,119	-	-	194,119
RCAB support receivable - rent, net of short term portion	14,061,050	-	-	14,061,050
Total other assets	<u>15,734,162</u>	<u>-</u>	<u>-</u>	<u>15,734,162</u>
Total assets	<u>\$ 18,790,070</u>	<u>\$ 838,960</u>	<u>\$ -</u>	<u>\$ 19,629,030</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 201,418	\$ 1,744	\$ -	\$ 203,162
Notes payable, current portion	45,305	-	-	45,305
Refundable advance - payroll protection program	450,437	91,965	-	542,402
Deferred revenue	16,745	192,500	-	209,245
Total current liabilities	<u>713,905</u>	<u>286,209</u>	<u>-</u>	<u>1,000,114</u>
Other liabilities:				
Deferred rent	330,000	-	-	330,000
Notes payable, net of current portion	221,229	-	-	221,229
Total other liabilities	<u>551,229</u>	<u>-</u>	<u>-</u>	<u>551,229</u>
Total liabilities	<u>1,265,134</u>	<u>286,209</u>	<u>-</u>	<u>1,551,343</u>
Net assets:				
Without donor restrictions	1,419,713	550,855	-	1,970,568
With donor restrictions	16,105,223	1,896	-	16,107,119
Total net assets	<u>17,524,936</u>	<u>552,751</u>	<u>-</u>	<u>18,077,687</u>
Total liabilities and net assets	<u>\$ 18,790,070</u>	<u>\$ 838,960</u>	<u>\$ -</u>	<u>\$ 19,629,030</u>

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

Combining Schedule of Activities
Year Ended June 30, 2021

	Cristo Rey Boston High School, Inc.			Cristo Rey Boston Corporate Work Study Program, Inc			Eliminations Without Donor Restrictions	Combined Totals		
	Without Donor Restrictions	With Donor Restricts	Total	Without Donor Restrictions	With Donor Restricts	Total		Without Donor Restrictions	With Donor Restricts	Total
Operating revenues and support:										
Tuition, gross	\$ 1,936,473	\$ -	\$ 1,936,473	\$ -	\$ -	\$ -	\$ -	\$ 1,936,473	\$ -	\$ 1,936,473
Financial aid	(1,880,563)	-	(1,880,563)	-	-	-	-	(1,880,563)	-	(1,880,563)
Tuition, net	55,910	-	55,910	-	-	-	-	55,910	-	55,910
Sponsor revenue	349,900	-	349,900	1,022,250	-	1,022,250	(349,900)	1,022,250	-	1,022,250
Grants and contributions	2,830,834	658,956	3,489,790	-	-	-	-	2,830,834	658,956	3,489,790
Miscellaneous	37,231	-	37,231	-	-	-	-	37,231	-	37,231
Net assets released from donor restrictions	741,344	(741,344)	-	-	-	-	-	741,344	(741,344)	-
Tax credit income	679,083	-	679,083	130,666	-	130,666	-	809,749	-	809,749
Debt extinguishment	510,500	-	510,500	87,000	-	87,000	-	597,500	-	597,500
Total operating revenues and support	5,204,802	(82,388)	5,122,414	1,239,916	-	1,239,916	(349,900)	6,094,818	(82,388)	6,012,430
Expenses:										
Program services	2,728,942	-	2,728,942	841,210	-	841,210	(349,900)	3,220,252	-	3,220,252
General and administrative	868,263	-	868,263	5,176	-	5,176	-	873,439	-	873,439
Fundraising	513,873	-	513,873	-	-	-	-	513,873	-	513,873
Total expenses	4,111,078	-	4,111,078	846,386	-	846,386	(349,900)	4,607,564	-	4,607,564
Investment income, net	248	408,805	409,053	-	-	-	-	248	408,805	409,053
Realized gain on sale of vehicle	3,000	-	3,000	-	-	-	-	3,000	-	3,000
Increase in net assets before related party support	1,096,972	326,417	1,423,389	393,530	-	393,530	-	1,490,502	326,417	1,816,919
Related party support (expense):										
Fair value of rent - amortization of discount	146,640	-	146,640	-	-	-	-	146,640	-	146,640
Fair value of rent adjustment	299,960	(299,960)	-	-	-	-	-	299,960	(299,960)	-
Building rent expense	(446,600)	-	(446,600)	-	-	-	-	(446,600)	-	(446,600)
Total related party support (expense)	-	(299,960)	(299,960)	-	-	-	-	-	(299,960)	(299,960)
Increase in net assets	1,096,972	26,457	1,123,429	393,530	-	393,530	-	1,490,502	26,457	1,516,959
Net assets at beginning of year	322,741	16,078,766	16,401,507	157,325	1,896	159,221	-	480,066	16,080,662	16,560,728
Net assets at end of year	\$ 1,419,713	\$ 16,105,223	\$ 17,524,936	\$ 550,855	\$ 1,896	\$ 552,751	\$ -	\$ 1,970,568	\$ 16,107,119	\$ 18,077,687