

NORTH CAMBRIDGE CATHOLIC HIGH SCHOOL, INC.

**FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION FOR THE
YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)**

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

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INDEPENDENT AUDITOR'S REPORT

THE BOARD OF TRUSTEES

North Cambridge Catholic High School, Inc.
Cambridge, Massachusetts

We have audited the accompanying statement of financial position of North Cambridge Catholic High School, Inc. (a not-for-profit corporation) as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the School's 2005 financial statements and, in our report dated August 24, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Cambridge Catholic High School, Inc. as of June 30, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountants, Inc.

August 1, 2006

NORTH CAMBRIDGE CATHOLIC HIGH SCHOOL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2006

(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,022,372	\$ 933,091
Tuition receivable	25,957	6,523
Unconditional promises to give	412,669	251,000
Other assets	32,814	47,656
Property and equipment, net	111,870	9,829
Total assets	<u>\$ 1,605,682</u>	<u>\$ 1,248,099</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 148,089	\$ 126,709
Deferred revenues	24,065	35,165
Student activity deposits	32,804	17,911
Total liabilities	204,958	179,785
Net Assets:		
Unrestricted	1,027,074	985,333
Temporarily restricted	273,650	82,981
Permanently restricted	100,000	--
Total net assets	<u>1,400,724</u>	<u>1,068,314</u>
Total liabilities and net assets	<u>\$ 1,605,682</u>	<u>\$ 1,248,099</u>

See accompanying notes to financial statements.

NORTH CAMBRIDGE CATHOLIC HIGH SCHOOL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

(With Comparative Amounts for 2005)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2005 Totals</u>
Revenues:					
Grants and contributions	\$ 641,411	\$ 240,669	\$ 100,000	\$ 982,080	\$ 1,069,460
Tuition and fees	637,807	--	--	637,807	535,211
Sponsor revenue	550,000	--	--	550,000	510,000
Fair value of rent (Note J)	320,000	--	--	320,000	320,000
President's Fund	45,510	--	--	45,510	63,341
Interest income	22,064	--	--	22,064	14,438
Auxiliary services	2,701	--	--	2,701	2,003
Miscellaneous	16,646	-	--	16,646	11,255
Net assets released from restrictions	50,000	(50,000)	--	--	--
Total revenues	<u>2,286,139</u>	<u>190,669</u>	<u>100,000</u>	<u>2,576,808</u>	<u>2,525,708</u>
Expenses:					
Program services expenses	925,553	--	--	925,553	929,122
Supporting services expenses:					
General and administrative	1,243,789	--	--	1,243,789	1,105,605
Fundraising	75,056	--	--	75,056	38,171
Total supporting services expenses	<u>1,318,845</u>	<u>--</u>	<u>--</u>	<u>1,318,845</u>	<u>1,143,776</u>
Total expenses	<u>2,244,398</u>	<u>--</u>	<u>--</u>	<u>2,244,398</u>	<u>2,072,898</u>
CHANGE IN NET ASSETS	41,741	190,669	100,000	332,410	452,810
NET ASSETS, beginning of year	985,333	82,981	--	1,068,314	--
TRANSFER OF ASSETS PURSUANT TO ASSET TRANSFER AGREEMENT (NOTE K)	--	--	--	--	615,504
NET ASSETS, end of year	<u>\$ 1,027,074</u>	<u>\$ 273,650</u>	<u>\$ 100,000</u>	<u>\$ 1,400,724</u>	<u>\$ 1,068,314</u>

See accompanying notes to financial statements.



NORTH CAMBRIDGE CATHOLIC HIGH SCHOOL, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2006

(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 332,410	\$ 452,810
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,782	3,498
Provision for doubtful accounts	--	5,129
(Increase) decrease in assets:		
Tuition receivable	(19,434)	(11,652)
Unconditional promises to give	(161,669)	(251,000)
Other assets	14,842	(47,656)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	21,380	94,709
Deferred revenues	(11,100)	35,165
Student activity deposits	14,893	11,203
Total adjustments	(134,306)	(160,604)
Net cash provided by operating activities	<u>198,104</u>	<u>292,206</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(108,823)	--
Net cash used by investing activities	<u>(108,823)</u>	<u>--</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Transfer of assets pursuant to asset transfer agreement (Note K)	--	640,885
Net cash provided by financing activities	<u>--</u>	<u>640,885</u>
NET INCREASE IN CASH	89,281	933,091
CASH, beginning of year	933,091	--
CASH, end of year	<u>\$ 1,022,372</u>	<u>\$ 933,091</u>
SUPPLEMENTAL DISCLOSURE:		
Transfer of assets pursuant to asset transfer agreement (Note K):		
Equipment	<u>\$ --</u>	<u>\$ 13,327</u>

See accompanying notes to financial statements.

NORTH CAMBRIDGE CATHOLIC HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

A. Organization:

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

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

B. Summary of Significant Accounting Policies:

Basis of accounting:

The School prepares its financial statements in accordance with generally accepted accounting principles. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of estimates:

The preparation of financial statements in conformity with 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 reporting period. Actual results could differ from those estimates.

Basis of presentation:

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets:

Unrestricted net assets represent those assets which the School may use at its discretion.

NORTH CAMBRIDGE CATHOLIC HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

(continued)

B. Summary of Significant Accounting Policies – (continued):

Basis of presentation – (continued):

Unrestricted net assets – (continued):

Restricted gains and investment income and donor-restricted contributions whose restrictions are met in the same reporting period are classified as unrestricted.

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 the passage of time.

Permanently restricted net assets:

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

Comparative financial information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2005 from which the summarized information was derived.

Tuition revenue:

Tuition revenue is recorded at rates established by the School.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

NORTH CAMBRIDGE CATHOLIC HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

(continued)

B. Summary of Significant Accounting Policies – (continued):

Unconditional promises to give:

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts is computed using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is included in contribution revenue.

Property and equipment:

Property and equipment are recorded at cost or, if donated, at fair value. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Purchases of property and equipment costing \$1,500 or more are capitalized.

Deferred revenues:

Deposits and advance payments received for tuition and fees which relate to the School's tuition billed for the following academic year are deferred and are recorded as unrestricted revenues as earned.

Donated services:

Donated services have been recorded for the full-time services performed by the religious and clergy in the School and amounted to approximately \$48,000 for the year ended June 30, 2006, respectively. The amount represents an approximation of the difference in actual compensation paid to the religious and clergy, and the compensation paid to lay individuals performing similar services. Revenues from donated services are included in the caption President's Fund with the offsetting expense charged to program and supporting services expenses in the accompanying Statement of Activities.

Income tax status:

The School is recognized as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

NORTH CAMBRIDGE CATHOLIC HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

(continued)

B. Summary of Significant Accounting Policies – (continued):

Cash equivalents:

For purposes of the statement cash flows, the School considers all money market mutual funds to be cash equivalents.

C. Unconditional Promises To Give:

Unconditional promises to give at June 30, 2006 represent pledges receivable and are summarized as follows:

Amounts due:	
Within one year	\$ 370,000
Over one to two years	50,000
	<hr/>
	420,000
Discount on Pledges Receivable	(7,331)
	<hr/>
	<u>\$ 412,669</u>

D. Property and Equipment:

At June 30, 2006, property and equipment consisted of the following:

Furniture, fixtures and equipment	\$ 46,302
Vehicles	19,500
Computer hardware	3,322
Computer software	6,615
Science lab	88,853
Building improvements	10,033
	<hr/>
	174,625
Less accumulated depreciation	(62,755)
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	<u>\$ 111,870</u>

E. Net Assets:

Temporarily restricted net assets:

Temporarily restricted net assets at June 30, 2006 are comprised of \$273,650. These assets are restricted by donors for financial assistance and scholarships.

NORTH CAMBRIDGE CATHOLIC HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

(continued)

F. Pension plan:

Nonreligious faculty members of the School who meet eligibility requirements are participants in a noncontributory retirement annuity plan which is funded annually. There are no prior service costs under the plan. Pension expense amounted to \$56,767 during the year ended June 30, 2006.

G. Concentration of Credit Risk:

The School maintains cash balances at several financial institutions located in eastern Massachusetts. Accounts at each institution are insured by the Federal Deposit Insurance Corporation, up to \$100,000. At June 30, 2006, the School's uninsured cash balances totaled approximately \$754,000.

H. Functional Allocation of Expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

I. Related Party Transactions:

During the year ended June 30, 2006, the School received \$550,000 of support from North Cambridge Catholic Corporate Work Study Programs, Inc., a related party. This amount is included in the accompanying Statement of Activities in the caption sponsor revenue.

The Catholic School Foundation is an affiliated organization of the Archdiocese of Boston and provided tuition support amounting to \$137,666 during the year ended June 30, 2006. This amount is included in tuition and fees in the accompanying Statement of Activities.

J. Lease Agreement:

The Archdiocese of Boston (the "Archdiocese") owns the property which the School occupies. The School has entered into a lease agreement with the Archdiocese (dated July 1, 2004) in exchange for \$1 per year for a period of four years. The School has the option to purchase the property during the lease period.

The approximate fair value of the annual rental is \$320,000 and it is included in revenues under the caption of fair value of rent; and the corresponding expense has been allocated to program services (\$240,000) and general and administration (\$80,000) in the Statement of Activities.

NORTH CAMBRIDGE CATHOLIC HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

(continued)

K. Asset Transfer Agreement:

The School entered into an Asset Transfer Agreement on June 30, 2004 with the Roman Catholic Archdiocese of Boston, a related party, in which the Archdiocese agreed to transfer \$654,212 of assets to the School as follows:

Cash and cash equivalents	\$ 640,885
Equipment	<u>13,327</u>
	<u>\$ 654,212</u>

The assets were received by the School in July 2004 and recorded as follows:

Accounts payable	\$ 32,000
Student activity deposits	6,708
Unrestricted net assets	534,482
Temporarily restricted net assets	<u>81,022</u>
	<u>\$ 654,212</u>

INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING INFORMATION

THE BOARD OF TRUSTEES

North Cambridge Catholic High School, Inc.
Cambridge, Massachusetts

Our report on our audit of the financial statements of North Cambridge Catholic High School, Inc. for the year ended June 30, 2006 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information for the year ended June 30, 2006 on pages 12 and 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The prior year summarized accompanying information has been derived from the School's 2005 financial statements and, in our report dated August 24, 2005, we expressed an unqualified opinion on those financial statements.



Certified Public Accountants, Inc.

August 1, 2006

NORTH CAMBRIDGE CATHOLIC HIGH SCHOOL, INC.

SCHEDULE OF PROGRAM SERVICES EXPENSES

YEAR ENDED JUNE 30, 2006
(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Salaries	\$ 486,337	\$ 510,238
Fair value of rent	240,000	240,000
Fringe benefits	108,930	93,950
Textbooks	30,083	36,513
Miscellaneous	24,686	17,009
Facility rental	14,292	10,132
Supplies	12,965	14,260
Referees	8,260	7,020
	<u>\$ 925,553</u>	<u>\$ 929,122</u>

See independent auditor's report on accompanying information.

NORTH CAMBRIDGE CATHOLIC HIGH SCHOOL, INC.

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED JUNE 30, 2006
(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Salaries	\$ 776,394	\$ 700,467
Fringe benefits	170,378	145,927
Fair value of rent	80,000	80,000
Maintenance	40,976	28,716
Utilities	37,287	26,929
Miscellaneous	32,456	26,780
Insurance	21,023	28,403
Office supplies	19,049	18,491
Postage and delivery	18,531	12,978
Brochures and printing	12,282	15,598
Professional fees	11,400	--
Service contracts	10,239	7,203
Telephone	6,992	5,486
Depreciation	6,782	3,498
Provision for doubtful accounts	--	5,129
	<u>\$ 1,243,789</u>	<u>\$ 1,105,605</u>

See independent auditor's report on accompanying information.