

**North Cambridge Catholic High School, Inc.**

**Financial Statements  
and Supplementary Information**

**For the Years Ended  
June 30, 2007 and 2006**



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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
**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, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year information has been derived from the Corporation's June 30, 2006 financial statements and was audited by other auditors whose report dated August 1, 2006 expressed an unqualified opinion on those 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 the **North Cambridge Catholic High School, Inc.** as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Braver PC*

Newton, Massachusetts  
February 8, 2008

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Boston

Newton

Providence

**North Cambridge Catholic High School, Inc.**

**Statements of Financial Position  
June 30, 2007 and 2006**

	2007	2006
<i>Assets</i>		
Cash and cash equivalents	\$ 321,021	\$ 1,022,372
Tuition receivable	-	25,957
Unconditional promises to give	42,669	412,669
Prepaid expenses and other assets	4,268	32,814
Investments, at market	1,028,900	-
Property and equipment, net	101,994	111,870
Total assets	\$ 1,498,852	\$ 1,605,682
<i>Liabilities and Net Assets</i>		
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 191,835	\$ 148,089
Deferred revenue	18,595	24,065
Student activity deposits	29,512	32,804
Total liabilities	239,942	204,958
<i>Net assets</i>		
Unrestricted	935,674	1,027,074
Temporarily restricted	214,832	273,650
Permanently restricted	108,404	100,000
Total net assets	1,258,910	1,400,724
Total liabilities and net assets	\$ 1,498,852	\$ 1,605,682

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

**North Cambridge Catholic High School, Inc.**

**Statement of Activities  
For the Year Ended June 30, 2007  
(With Comparative Totals for 2006)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2006 Totals</u>
Revenues					
Sponsor revenue	\$ 1,010,000	\$ -	\$ -	\$ 1,010,000	\$ 550,000
Tuition and fees	599,455	-	-	599,455	637,807
Fair value of rent	320,000	-	-	320,000	320,000
Grants and contributions	317,644	66,500	-	384,144	982,080
Gain on investments	50,994	-	4,538	55,532	-
Investment and interest income	31,915	-	3,866	35,781	22,064
Miscellaneous	363	-	-	363	19,347
President's fund	-	-	-	-	45,510
Net assets released from temporary restrictions	125,318	(125,318)	-	-	-
<b>Total revenues</b>	<u>2,455,689</u>	<u>(58,818)</u>	<u>8,404</u>	<u>2,405,275</u>	<u>2,576,808</u>
Expenses					
Program	1,204,346	-	-	1,204,346	925,169
General and administrative	1,276,511	-	-	1,276,511	1,244,173
Fundraising	66,232	-	-	66,232	75,056
<b>Total expenses</b>	<u>2,547,089</u>	<u>-</u>	<u>-</u>	<u>2,547,089</u>	<u>2,244,398</u>
Increase (decrease) in net assets	(91,400)	(58,818)	8,404	(141,814)	332,410
Net assets, beginning of year	1,027,074	273,650	100,000	1,400,724	1,068,314
Net assets, end of year	<u>\$ 935,674</u>	<u>\$ 214,832</u>	<u>\$ 108,404</u>	<u>\$ 1,258,910</u>	<u>\$ 1,400,724</u>

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

# North Cambridge High School, Inc.

## Statements of Cash Flows For the Years Ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Change in net assets	\$ (141,814)	\$ 332,410
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	9,876	6,782
Provision for bad debts	13,380	-
Gain on investments	(55,532)	-
Changes in operating assets and liabilities		
Decrease (increase) in		
Tuition receivable	12,577	(19,434)
Unconditional promises to give	370,000	(161,669)
Prepaid expenses and other assets	28,546	14,842
Increase (decrease) in		
Accounts payable and accrued expenses	43,746	21,380
Deferred revenue	(5,470)	(11,100)
Student activity deposits	(3,292)	14,893
Net cash provided by operating activities	272,017	198,104
Cash flows from investing activities		
Investment purchases	(973,368)	(108,823)
Net cash used in investing activities	(973,368)	(108,823)
Net increase (decrease) in cash and cash equivalents	(701,351)	89,281
Cash and cash equivalents at beginning of year	1,022,372	933,091
Cash and cash equivalents at end of year	\$ 321,021	\$ 1,022,372

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

# North Cambridge Catholic High School, Inc.

## Notes Accompanying the Financial Statements For the Years Ended June 30, 2007 and 2006

### 1. 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 educational mission of the Roman Catholic Church, the Roman Catholic Archbishop of Boston, the Roman Catholic Archdiocese of Boston and the Cristo Rey Network.

Members of the Corporation include the Chairman (Archbishop of the Archdiocese of Boston), the Secretary of Education of the Archdiocese of Boston, the Chancellor 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.

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

The financial statements are prepared in accordance with recommendations of the Financial Accounting Standards Board in the Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-for-Profit Organizations*." Under SFAS No. 117, the Corporation is required to report information regarding its 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 may use at its discretion. 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 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 those assets permit the School to use all or part of the income earned on related investments for general or specific purposes.

#### *Basis of Accounting*

The financial statements of the School have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

#### *Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

# North Cambridge Catholic High School, Inc.

## Notes Accompanying the Financial Statements For the Years Ended June 30, 2007 and 2006

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

#### *Tuition Receivable and Unconditional Promises to Give*

Tuition receivable and unconditional promises to give 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 tuition receivable or unconditional promises to give. Changes in the valuation allowance have not been material to the financial statements.

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.

#### *Investments*

The School carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

#### *Investment Income and Gains*

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.

#### *Deferred Revenue*

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.

#### *Expense Allocation*

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



# North Cambridge Catholic High School, Inc.

## Notes Accompanying the Financial Statements For the Years Ended June 30, 2007 and 2006

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

#### *Recognition of Donor Restrictions*

Support that is restricted by the donor is reported as an increase in unrestricted net assets, if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase 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 statement of activities as net assets released from restriction.

#### *Income Taxes*

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income at both the state and federal levels. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The School is also exempt from Massachusetts income taxes.

#### *Donated Assets*

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

#### *Donated Materials and Facilities*

Donated materials and facilities are recorded as contributions at their estimated fair value at the date of donation.

#### *Donated Services*

Donated services are recognized as contributions in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," 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. No amounts have been reflected in the financial statements for donated services.

#### *Cash and Cash Equivalents*

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

#### *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 School's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

# North Cambridge Catholic High School, Inc.

## Notes Accompanying the Financial Statements For the Years Ended June 30, 2007 and 2006

### 3. Tuition Receivable

The School grants credit to students relating to tuition and fees. The ability of the School to collect these receivables is dependent on the student's continued commitment to the School and the School's ability to collect such amounts.

Tuition receivable at June 30, 2007 and 2006 are as follows:

	2007	2006
Tuition receivable	\$ -	\$ 25,597
Less: Allowance for doubtful accounts	-	-
Net tuition receivable	\$ -	\$ 25,597

### 4. Unconditional Promises to Give

Unconditional promises to give at June 30, 2007 and 2006 represent pledges receivable and consist of the following:

	2007	2006
Amounts due		
Within one year	\$ 42,669	\$ 370,000
Over one to two years	-	50,000
Discount on pledges receivable	42,669	420,000
	-	(7,331)
	\$ 42,669	\$ 412,669

Pledges receivable due more than one year after June 30, 2006 are discounted at 8.25%.

## North Cambridge Catholic High School, Inc.

### Notes Accompanying the Financial Statements For the Years Ended June 30, 2007 and 2006

#### 5. Property and Equipment

Property and equipment consist of the following major classifications as of June 30, 2007 and 2006:

	2007	2006
Furniture, fixtures and equipment	\$ 46,302	\$ 46,302
Vehicles	19,500	19,500
Computers and equipment	9,937	9,937
Science lab	88,853	88,853
Building improvements	10,033	10,033
	174,625	174,625
Less: Accumulated depreciation	72,631	62,755
	\$ 101,994	\$ 111,870

Depreciation expense for the years ended June 30, 2007 and 2006 was \$9,876 and \$6,782, respectively.

#### 6. Investments

Investments are carried at the aggregate fair market value and are composed of the following as of June 30, 2007.

	Cost	Market
Equity securities	\$ 569,096	\$ 631,443
Debt securities	375,952	378,755
Money market fund	18,701	18,701
	\$ 963,749	\$ 1,028,900

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2007:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income	\$ 31,915	\$ -	\$ 3,866	\$ 35,781
Gain on investments	50,994	-	4,538	55,532
	\$ 82,909	\$ -	\$ 8,404	\$ 91,313

Expenses for the year ended June 30, 2007, relating to investment income, including custodial fees and investment advisory fees, amounted to \$6,590 and have been included in the accompanying schedule of general and administrative expenses under the caption bank and brokerage fees.

# North Cambridge Catholic High School, Inc.

## Notes Accompanying the Financial Statements For the Years Ended June 30, 2007 and 2006

### 7. Concentrations of Credit Risk

Financial instruments, that potentially subject the School to concentrations of credit risk, consist principally of temporary cash investments, pledges and tuitions receivable. The School places its temporary cash investments and limits the amount of credit exposure with one financial institution located in Massachusetts. Concentrations of credit risk with respect to pledges receivable are limited due to the number of contributors comprising the School's contributor base and their dispersion across different industries, government sectors, and geographic areas. Concentrations of credit risk with respect to tuitions receivable is limited due to small amounts owed by individuals for tuition. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2007, the School's uninsured cash balance is \$224,210.

### 8. 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.

### 9. Pension Plan

The School participates in the retirement plan of The Roman Catholic Archdiocese of Boston. The plan is for non-religious faculty members of the School who are full-time active employees, are at least 21 years of age and have earned one year of service credit, or have earned three years of service credit. Contributions to the plan by the School were \$64,945 and \$56,767 during the years ended June 30, 2007 and 2006, respectively.

### 10. Related Party Transactions

During the years ended June 30, 2007 and 2006, the School received \$1,010,000 and \$550,000, respectively of support from North Cambridge Catholic Corporate Work Study Programs, Inc., a related party. These amounts are included in the accompanying statement of activities in the caption sponsor revenue.

The Catholic School Foundation is an related organization of the Archdiocese of Boston and provided tuition support amounting to \$145,300 and \$137,666 during the years ended June 30, 2007 and 2006, respectively. This amount is included in the accompanying statement of activities in the caption tuition and fees.

### 11. 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 expenses and general and administrative expenses in the amount of \$240,000 and \$80,000 for both years.

# North Cambridge Catholic High School, Inc.

## Notes Accompanying the Financial Statements For the Years Ended June 30, 2007 and 2006

### 12. Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
Temporarily restricted net assets		
Financial assistance	\$ 50,000	\$ 50,000
Scholarship funds	83,481	82,981
Building improvements	42,669	-
Professional recruiting	19,682	-
Other	19,000	140,669
	<u>\$ 214,832</u>	<u>\$ 273,650</u>
Permanently restricted net assets		
Endowment funds	<u>\$ 108,404</u>	<u>\$ 100,000</u>

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

To the Board of Trustees of  
**North Cambridge Catholic High School, Inc.**  
Cambridge, Massachusetts

Our report on our audit of the financial statements of **North Cambridge Catholic High School, Inc.** (a not-for-profit corporation) for the year ended June 30, 2007 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of program services expenses and general and administrative expenses for the years ended June 30, 2007 and 2006 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information for the year ended June 30, 2007 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 financial statements taken as a whole. The prior year information has been derived from the Corporation's June 30, 2006 financial statements and was audited by other auditors whose report dated August 1, 2006 expressed an unqualified opinion on those statements.

*Braver PC*

Newton, Massachusetts  
February 8, 2008

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Boston

Newton

Providence

**North Cambridge Catholic High School, Inc.**

**Schedules of Program Services Expenses  
(Supplementary Information)  
For the Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Salaries	\$ 699,259	\$ 486,337
Fair value of rent	240,000	240,000
Fringe benefits	149,500	108,930
Miscellaneous	42,600	24,302
Supplies	32,745	12,965
Textbooks	21,340	30,083
Facility rental	11,989	14,292
Referees	6,913	8,260
	<u>\$ 1,204,346</u>	<u>\$ 925,169</u>

**North Cambridge Catholic High School, Inc.**

**Schedules of General and Administrative Expenses  
(Supplementary Information)  
For the Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Salaries	\$ 722,296	\$ 776,394
Fringe benefits	200,834	170,378
Fair value of rent	80,000	80,000
Maintenance	34,358	41,360
Utilities	33,059	37,287
Professional fees	27,055	11,400
Service contracts	27,022	20,144
Office supplies	26,868	19,049
Miscellaneous	21,766	18,953
Insurance	21,275	21,023
Brochures and printing	15,067	12,282
Postage and delivery	14,908	18,531
Provision for bad debts	13,380	-
Dues and subscriptions	12,612	3,218
Depreciation	9,876	6,782
Telephone	8,468	6,992
Bank and brokerage fees	7,667	380
	<u>\$ 1,276,511</u>	<u>\$ 1,244,173</u>