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**CRISTO REY NETWORK**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2006**

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Board of Directors

**CRISTO REY NETWORK**

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of **CRISTO REY NETWORK** (a nonprofit organization) as of June 30, 2006, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 **CRISTO REY NETWORK** as of June 30, 2006, and its cash flows the year then ended, and the changes in net assets for the year ended June 30, 2006 in conformity with accounting principles generally accepted in the United States of America.

*Bernstein & Brown, P.C.*

September 27, 2006

Statement of Financial Position  
June 30, 2006

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A S S E T S

Cash		\$	3,284,454
Unconditional pledge receivables			3,500,000
Prepaid expenses			2,801
Property, plant and equipment	\$	9,622	
Accumulated depreciation		<u>(4,811)</u>	
Net property, plant and equipment			<u>4,811</u>
TOTAL ASSETS		\$	<u><u>6,792,066</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Pledges payable	\$	2,180,000	
Pledges payable-Long term		760,000	
Accrued liabilities		12,042	
Deferred income		<u>106,802</u>	
Total Liabilities	\$		3,058,844

NET ASSETS

Unrestricted	\$	307,440	
Temporarily restricted		<u>3,425,782</u>	
Total Net Assets			<u>3,733,222</u>

TOTAL LIABILITIES AND NET ASSETS	\$		<u><u>6,792,066</u></u>
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See accompanying notes to the financial statements.



Statement of Activities  
 For the Year Ending June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues:</b>			
Grants and contributions	\$ 650,679	1,128,680	\$ 1,779,359
Investment income		36,965	36,965
Contributed facility space	18,000	-	18,000
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Total Revenue	\$ 668,679	\$ 1,165,645	\$ 1,834,324
<b>Expenses:</b>			
<u>Program Services:</u>			
Funding of Schools	\$1,792,112	-	1,792,112
Total Program Services	1,792,112	-	1,792,112
<u>Supporting services:</u>			
Administration	\$539,674	-	539,674
Fund development	58,035	-	58,035
Total supporting services	597,709		597,709
	<hr/>		
Total Expenses	\$ 2,389,821	\$ -	\$ 2,389,821
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Increase (Decrease) in net assets	(\$1,721,142)	\$1,165,645	(\$555,497)
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Increase (Decrease) in net assets	\$ (1,721,142)	\$ 1,165,645	\$ (555,497)
	<hr/>		
Transfer to (from) temporarily restricted	2,470,473	(5,410,473)	(2,940,000)
Net assets at beginning of year	(441,891)	7,670,610	7,228,719
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Net Assets at End of Year	\$ 307,440	\$ 3,425,782	\$ 3,733,222
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See accompanying notes to the financial statements.

**CRISTO REY NETWORK**

Statement of Functional Expenses  
For the Year Ending June 30, 2006

	Program Services		Supporting Services			Total
	Funding of schools	Total program services	Administration	Fund development	supporting services	
Functional Expenses:						
Salaries and benefits	\$ -	\$ -	\$ 389,619	\$ 55,253	\$ 444,872	\$ 444,872
Total salaries and related expenses	\$ -	\$ -	\$ 389,619	\$ 55,253	\$ 444,872	\$ 444,872
Depreciation	\$ -	\$ -	\$ 3,207	\$ -	\$ 3,207	\$ 3,207
Grant distribution	1,546,350	1,546,350	-	-	-	1,546,350
Printing and Advertising	-	-	18,565	-	18,565	18,565
Professional fees	-	-	13,644	-	13,644	13,644
Program and Administration	-	-	83,459	-	83,459	83,459
Telephone	-	-	5,649	2,782	8,431	8,431
Conferences and conventions	245,762	245,762	-	-	-	245,762
Insurance	-	-	4,933	-	4,933	4,933
Rent	-	-	18,000	-	18,000	18,000
Utilities	-	-	2,598	-	2,598	2,598
Total Expenses	\$ 1,792,112	\$ 1,792,112	\$ 539,674	\$ 58,035	\$ 597,709	\$ 2,389,821

See accompanying notes to the financial statements.

**CRISTO REY NETWORK**

Statement of Cash Flows  
For the Year Ending June 30, 2006

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CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$	(555,497)
Non cash expenses included in net income		
Depreciation		3,207
Changes in assets and liabilities:		
Prepaid expenses		(2,097)
Accounts payable		(33,502)
Accrued expenses		9,042
Deferred income		(45,488)

NET CASH FLOWS USED BY OPERATING ACTIVITIES \$ (624,335)

CASH FLOWS FROM INVESTING ACTIVITIES

NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES \$ -

CASH FLOWS FROM FINANCING ACTIVITIES

NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES \$ -

NET DECREASE IN CASH AND CASH EQUIVALENTS \$ (624,335)

BEGINNING CASH AND CASH EQUIVALENTS 3,908,789

ENDING CASH AND CASH EQUIVALENTS \$ 3,284,454

See accompanying notes to the financial statements



## CRISTO REY NETWORK

Notes to the Financial Statements  
June 30, 2006

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### NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

Cristo Rey Network (the “Organization”) is a nonprofit organization that provides quality, Catholic college preparation education to youth from low-income families who otherwise could not afford such an opportunity.

The financial statements are prepared using the accrual basis of accounting and are in accordance with Statements of Financial Accounting Standards (SFAS) No. 116, “Accounting for Contributions Received and Contributions Made”, and No. 117, “Financial Statements of Not-for-Profit Organizations”. Accordingly, the classification of the Organization’s net assets and its revenues and expenditures is based on the existence or absence of donor-imposed restrictions. The provisions of these standards require amounts for each of three classes of net assets—permanently restricted, temporarily restricted, and unrestricted – be displayed in the Statement of Financial Position and the change in each of those classes of net assets be presented in the Statement of Activities. During the reporting period, the Organization had unrestricted and temporarily restricted net assets.

#### Basis of Accounting Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the school 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 net assets.



## CRISTO REY NETWORK

Notes to the Financial Statements  
June 30, 2006

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NOTE A: (Con't)

Unrestricted Net Assets

Includes those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.

Temporarily Restricted Net Assets

Includes those assets, which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting period.

The Organization utilizes SFAS No. 116, which requires unconditional promises to give to be reported as support of the Organization.

Unconditional Pledge Receivables – The Organization utilizes the allowance method for recognizing any bad debts. Unconditional pledge receivables are stated at the amount the organization expects to collect from outstanding balances after an allowance for considering account credit worthiness of customers and history of collection. The organization has determined that no allowance is necessary at June 30, 2006 for uncollectible accounts.

Concentration of Credit Risk – The Organization maintains its cash and cash equivalents in commercial checking and money market accounts. Periodically throughout the year, cash is maintained at these financial institutions in excess of the insured (FDIC) amount of \$100,000.



## CRISTO REY NETWORK

Notes to the Financial Statements  
June 30, 2006

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NOTE A: (Con't)

Contributions

Contributions are recognized as revenues in the period received. Any conditional promises are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions is provided based upon the organization's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

Donated Services

Donated services are recognized as contributions in accordance with the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, if the services: (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the school. Volunteers also provide fundraising and other services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 were not met.

Endowment Income

Income and realized net gains on investments for endowment funds are reported as follows:

as increases in restricted net assets if the terms of the gift require that they be added to the principal of the permanent endowment fund;

as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income.

as increases in unrestricted net assets in all other cases.