Cristo Rey Network

Financial Report
June 30, 2021

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Cristo Rey Network

Report on the Financial Statements
We have audited the accompanying financial statements of Cristo Rey Network (the Organization), which comprise the statement of financial position as of June 30, 2021, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 10 to the financial statements, the beginning net assets without donor restrictions and net assets with donor restrictions have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information
We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived, except for the restatement as discussed in Note 10.

RSM US LLP

Chicago, Illinois
December 22, 2021

Cristo Rey Network

Statement of Financial Position
June 30, 2021
(With Comparative Totals for 2020)

	2021	2020 (as restated)
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,419,164**	$ 865,757
Current portion of promises to give	**1,179,527**	1,206,284
Accounts receivable, net	**170,097**	280,927
Prepaid expenses	**88,112**	87,697
Total current assets	**2,856,900**	2,440,665
Investments	**7,799,512**	6,505,208
Cash surrender value of life insurance	**459,308**	455,406
Property and equipment, net	**-**	-
Promises to give, net of current portion	**1,512,029**	1,700,428
Total assets	**$ 12,627,749**	$ 11,101,706
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 73,622**	$ 38,955
Accrued expenses	**99,839**	112,100
Total current liabilities	**173,461**	151,055
Total liabilities	**173,461**	151,055
Net assets:		
Without donor restrictions	**7,555,689**	5,914,620
With donor restrictions	**4,898,599**	5,036,031
Total net assets	**12,454,288**	10,950,651
Total liabilities and net assets	**$ 12,627,749**	$ 11,101,706

See notes to financial statements.

Cristo Rey Network

Statement of Activities
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2020
Support and revenue:				
Fundraising	**$ 3,646,532**	**$ 2,261,013**	**$ 5,907,545**	$ 5,833,359
School membership dues	**1,850,000**	**-**	**1,850,000**	1,945,000
University partnership dues	**27,000**	**-**	**27,000**	72,500
Investment income, net	**11,330**	**15,876**	**27,206**	116,260
Paycheck Protection Program grant	**-**	**-**	**-**	394,797
Net assets released from restrictions	**2,414,321**	**(2,414,321)**	**-**	-
Total support and revenue	**7,949,183**	**(137,432)**	**7,811,751**	8,361,916
Expenses:				
Program services:				
Funding of schools	**1,561,061**	**-**	**1,561,061**	1,949,018
Funding of scholarships	**306,844**	**-**	**306,844**	169,719
Programming provided to schools	**3,724,523**	**-**	**3,724,523**	4,064,070
Total program services	**5,592,428**	**-**	**5,592,428**	6,182,807
Supporting services:				
Administration	**374,025**	**-**	**374,025**	341,279
Fund development	**341,661**	**-**	**341,661**	275,572
Total expenses	**6,308,114**	**-**	**6,308,114**	6,799,658
Change in net assets	**1,641,069**	**(137,432)**	**1,503,637**	1,562,258
Net assets:				
Beginning, as restated	**5,914,620**	**5,036,031**	**10,950,651**	9,388,393
Ending	**$ 7,555,689**	**$ 4,898,599**	**$ 12,454,288**	$ 10,950,651

See notes to financial statements.

Cristo Rey Network

Statement of Cash Flows
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	**$ 1,503,637**	$ 1,562,258
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase in cash surrender value of life insurance	**(3,902)**	(5,066)
Net realized and change in unrealized loss on investments	**179,908**	17,181
Loss on fixed asset disposal	**-**	18,238
Decrease in discount on promises to give	**(17,102)**	(59,385)
Promises to give restricted for endowment	**-**	(250,000)
Contributions restricted for endowment	**(261,900)**	(37,070)
Changes in assets and liabilities:		
Accounts receivable	**110,830**	125,262
Prepaid expenses	**(415)**	(18,248)
Promises to give	**232,257**	805,947
Accounts payable	**34,667**	3,212
Accrued expenses	**(12,261)**	50,489
Due to schools	**-**	(98,235)
Net cash provided by operating activities	**1,765,720**	2,114,583
Cash flows from investing activities:		
Purchases of investments	**(8,110,387)**	(7,266,138)
Sales of investments	**6,636,174**	4,096,499
Net cash used in investing activities	**(1,474,213)**	(3,169,639)
Cash flows from financing activities:		
Contributions restricted for endowment	**261,900**	37,070
Net cash provided by financing activities	**261,900**	37,070
Net increase (decrease) in cash and cash equivalents	**553,407**	(1,017,986)
Cash and cash equivalents:		
Beginning	**865,757**	1,883,743
Ending	**$ 1,419,164**	$ 865,757

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Cristo Rey Network (the Organization) is a not-for-profit organization providing quality, Catholic college preparation education to youth from low-income families who otherwise could not afford such services.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC or the Codification). As required by the Non-Profit Entities Topic of the Codification, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Cash and cash equivalents: For purposes of reporting cash flow, the Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Financial risk: The Organization maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash.

Accounts receivable: Accounts receivable are carried at original contract amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Management believes that an allowance was not required, based on its evaluation of collectability of accounts receivable at June 30, 2021.

Promises to give: Contributions, including unconditional promises to give, are recognized at fair value as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, at the time when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible promises to give is provided based upon management's judgment of potential defaults. Recoveries of promises to give previously written off are recorded as revenue when received. Management believes that an allowance was not required, based on its evaluation of collectability of promises to give at June 30, 2021. (See Note 3).

Investments: Investments in marketable securities are recorded at fair value based on quoted market prices. Changes in fair value are recorded as unrealized gains (losses) and are included in investment return. Investments are exposed to various risks such as interest rate, market and credit risks. It is at least reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported.

Property and equipment: Property and equipment are carried at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets. The Organization capitalizes all property and equipment with a cost of $2,500 or more.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Due to schools: Grants specifically committed to designated schools, but not yet paid, are accrued as due to schools.

Net assets without donor restriction: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restriction: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, where those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Fundraising: Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted revenue is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated services: Donated goods and services are recorded as contributions at their estimated fair value on the date received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated goods and services are included in fundraising in the statement of activities. The Organization has recorded in-kind contribution revenue of $10,000 in 2021 and $42,810 in 2020.

Membership and partnership dues: Membership and partnership dues are recorded as revenue throughout the applicable membership or partnership period as services are being provided. Member Cristo Rey high schools pay annual membership dues. The Organization also maintains partnerships with universities in order to support postsecondary access and success for Cristo Rey students. University partners pay annual partnership dues.

Paycheck Protection Program grant: The CARES Act established the Paycheck Protection Program (PPP), which is administered by the U.S. Small Business Administration (SBA) to provide loans to qualifying entities. Under this program, a qualifying entity may apply to an SBA-approved lender for a federally guaranteed loan to help offset certain payroll and other operating costs. The loan and accrued interest, or a portion thereof, is eligible for forgiveness by the SBA if the qualifying entity meets certain conditions.

The Organization received a PPP loan on April 16, 2020, for $394,797. The loan has an interest rate of 1% and a maturity date of April 16, 2022. The Organization used the all the funds received for payroll costs incurred during the year, and therefore met the compliance requirements. As the Organization met the conditions for loan forgiveness as of June 30, 2020, the loan was recorded as grant revenue in accordance with the contribution guidance of Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958)*. As of June 30, 2021, the loan was fully forgiven by the SBA.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities. Expenses including those for conferences and conventions, data analysis, printing and advertising, membership dues and professional development, and contractor services that relate directly to a program or supporting service are allocated to that program or supporting service. The remaining expenses that don't relate directly to a program or supporting service are allocated based on headcount.

Recent accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization in the fiscal year ending June 30, 2023. The Organization is currently evaluating the impact of the adoption of the standard on its financial statements.

Adopted accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Organization adopted this ASU and subsequent updates on July 1, 2020 using the modified retrospective method, applied prospectively effective July 1, 2020 without revisions to prior periods. The Organization has identified its revenues that are within the scope of ASU Topic 606 and determined there is no material impact as a result of the adoption. Consequently, there were no cumulative adjustments recorded to beginning net assets.

In June 2018, the 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 provides guidance surrounding the categorization of certain transactions as contributions (nonreciprocal) or exchange transactions (reciprocal). It further clarifies when contributions should be deemed conditional. The ASU also clarifies the guidance used by entities other that non-profits to identify and account for contributions made. This ASU has different effective dates for resource recipients and resource providers. In fiscal year 2020, the Organization adopted the portion of the ASU applicable to resource recipients, which did not have a material impact on the financial statements. Where the Organization is a resource provider, the ASU is effective for fiscal year 2021. In fiscal year 2021, the Organization adopted the portion of the ASU applicable to resource providers, which did not to have a material impact on the financial statements

Tax status: The Organization has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of the state of Illinois law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income. There were no unrecognized tax benefits identified or recorded as liabilities during the year ended June 30, 2021. The Organization files Form 990 annually in the U.S. federal jurisdiction and in the state of Illinois.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Risks and uncertainties: On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The extent to which the coronavirus impacts the Organization's fiscal year ending June 30, 2022, results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others. Management continues to closely monitor developments in this area and will take steps to mitigate any future impact.

Subsequent events: The Organization evaluated subsequent events through December 22, 2021, which is the date the financial statements were available to be issued.

Note 2. Financial Assets and Liquidity Resources

The Organization manages its available cash to maintain adequate liquid assets and to maintain sufficient reserves to meet long-term obligations. Short-term financial assets are held primarily in various commercial bank accounts. Amounts above regular cash operating requirements may be held in money market accounts or other short-term investments.

The table below presents information related to the financial assets available for general expenditures within one year at June 30, 2021:

Financial assets at year-end:	
Cash and cash equivalents	$ 1,419,164
Promises to give	2,691,556
Accounts receivable	170,097
Investments	7,799,512
Total financial assets	12,080,329
Less amounts not available to be used within one year:	
Net assets with donor restrictions	4,898,599
Less pledges made with time restrictions to be met in less than a year	(1,050,000)
Less contributions received with restrictions to be met in less than a year	(305,000)
	3,543,599
Financial assets available to meet general expenditures over the next 12 months	$ 8,536,730

Note 3. Promises to Give

At June 30, 2021, the Organization had $2,691,556 in promises to give for the expansion and support of Cristo Rey Network member schools. Promises to give consist of gifts with donor-imposed restrictions. While some of these gifts are unrestricted as to purpose, they have been reported as net assets with donor restrictions due to the inherent time restriction associated with the fact that promises to give are being paid over a period of one to five years.

Anticipated receipts of promises to give consist of the following:

Gross promises to give expected to be collected in:	
Less than one year	$ 1,179,527
One to five years	1,545,750
Total gross pledges	2,725,277
Discount for present value	(33,721)
Net promises to give	$ 2,691,556

Note 4. Commitments for Future School Grant Payments

The Organization received grants for the benefit of various Cristo Rey Schools. At June 30, 2021, $0 was due to the schools.

Note 5. Cash Surrender Value of Life Insurance

The Organization is the owner and beneficiary of the life insurance policy on a life of a certain donor of the Organization with a face amount of $5,000,000 at June 30, 2021. The cash surrender value of this policy amounted to $459,308 at June 30, 2021.

Note 6. Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. When equipment is retired, its cost and the related accumulated depreciation are eliminated from the respective accounts, and gains or losses arising from the disposition are recognized in income.

Note 7. Fair Value of Investments

At June 30, 2021, the Organization’s investments consisted of corporate bonds recorded at fair value. The Organization defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and within a fair value hierarchy. The fair value hierarchy gives the highest rank to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest rank to unobservable inputs (Level 3). Inputs are broadly defined as data that market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy are described below:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 assets primarily include listed equities, money market funds, government securities and mutual funds. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Note 7. Fair Value of Investments (Continued)

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The inputs or methodology used for valuing financial instruments is not necessarily an indication of the risks associated with investing in those instruments. Investments are exposed to various risks such as interest rate, market and credit risks. It is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported.

The fair value of corporate bonds is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), broker/dealer quotes, bond spreads and fundamental data relating to the issuer market price. These investments are classified as Level 2 in the fair value hierarchy. Although most corporate bonds are categorized as Level 2 of the fair value hierarchy, in instances where lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they are categorized in Level 3. There were no corporate bonds categorized as Level 3 at June 30, 2021.

The Organization assesses the levels of financial instruments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Organization's accounting policy regarding recognition of transfers between levels of the fair value hierarchy. There were no such transfers for fiscal year 2021. At June 30, 2021, the fair value of the Level 2 corporate bonds held by the Organization as defined above totaled to $7,799,512.

Note 8. Lease Commitments

The Organization entered into a lease agreement related to its office space under an operating lease. In accordance with the lease, the Organization is subleasing approximately 8,130 rentable square feet of office space. The lease term expires on June 29, 2024. Certain equipment is also leased under operating lease agreements.

Note 8. Lease Commitments (Continued)

Future minimum rental payments required under the leases are as follows:

Year Ending June 30:		
2022	$	185,688
2023		191,108
2024		196,692
2025		16,013
	$	589,501

Rent expense was $181,890 for the year ended June 30, 2021.

Note 9. Retirement Plan

The Organization has a defined contribution 401(k) plan (the 401(k) Plan) covering eligible employees. The Organization offers employees the opportunity to contribute to the 401(k) Plan on the effective date of hire. The Organization matches dollar for dollar for the first 3% of the eligible employees' contributions and 50 cents on the dollar for the next 2%, not to exceed 4%. Vesting is immediate for all participants. 401(k) Plan expense for the year ended June 30, 2021, was $82,962.

Note 10. Restatement

During the year ended June 30, 2021, there were errors identified in the 2020 net assets released from restrictions. The Organization included certain restricted funds that were not spent during the year ended June 30, 2020, as well as included amounts that related to revenues without donor restrictions as part of the net assets released from restrictions amount reported. Opening balances for certain restricted programs in Note 11 were also restated. The effect of the restatement as of and for the year ended June 30, 2020, is summarized below:

	As of June 30, 2020		
	As Originally Reported	Increase (Decrease)	As Restated
Net assets without donor restrictions	$ 6,819,299	$ (904,679)	$ 5,914,620
Net assets with donor restrictions	4,131,352	904,679	5,036,031
Change in net assets without donor restrictions	2,590,197	(904,679)	1,685,518
Change in net assets with donor restrictions	(1,027,939)	904,679	(123,260)

Note 11. Net Assets With Donor Restrictions

The following is an analysis of the net assets with donor restrictions as of June 30, 2021:

	June 30, 2020 (as restated)	Additions	Released	Balance June 30, 2021
Time restricted	$ 2,477,735	$ 1,017,102	$ (1,051,508)	$ 2,443,329
Purpose restricted:				
Expansion and support of member schools	1,146,777	982,011	(1,362,813)	765,975
Endowment fund – corpus	945,138	261,900	-	1,207,038
Endowment fund – earnings	11,025	11,974	-	22,999
Endowment fund – insurance policy	455,356	3,902	-	459,258
	$ 5,036,031	$ 2,276,889	$ (2,414,321)	$ 4,898,599

Note 12. Endowment Fund

The Organization started an endowment during 2018 which consists of the John P. Foley, SJ Legacy Fund, a restricted endowment fund. As of June 30, 2021, the endowment consists of cumulative donations to be held in perpetuity of $1,207,038 as well as a life insurance policy with a cash surrender value of $459,258 and has started generating income. The income generated does not have donor restrictions, but it will be time restricted until it is appropriated by the Board of Directors.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The management of the Organization has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified as net assets with donor restrictions (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as held in perpetuity is classified as temporary in nature until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds: the duration and preservation of the fund; the purpose of the Organization and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Organization; and the investment policies of the Organization.

Note 12. Endowment Fund (Continued)

The changes in endowment net assets for the Organization were as follows for the year ended June 30, 2021:

	With Donor Restrictions
Endowment net assets, beginning of year	$ 956,163
Contributions	261,900
Net realized and change in unrealized loss	(5,564)
Interest income	17,538
Appropriation	-
Endowment net assets, end of year	$ 1,230,037

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America (GAAP), deficiencies of this nature are reported in net assets with donor restrictions to the extent accumulated gains are available to absorb such loss, or otherwise net assets without donor restrictions. There were no such deficiencies as of June 30, 2021.

The Organization has adopted investment and spending policies for endowment assets as follows:

Investment Policy
It is the policy of the Organization to keep the endowment diversified, using high quality managers as deemed advisable by the Organization’s Finance Committee, and to incorporate the guidelines for socially responsible investments set forth by the United States Conference of Catholic Bishops, to the extent deemed reasonable and practical, when directing such investments.

The Organization’s Board of Directors’ Finance Committee has the responsibility to establish the policies that guide the specific investments of the endowment assets. The policies describe the degree of investment risk and diversification that the Board of Directors deems appropriate. The Board may retain a bonded institution or investment advisor to advise the Finance Committee and the Board on how to invest the principal and to make investments of the principal.

The investment objective for the endowment shall be to preserve and protect the assets of the endowment and to earn a rate of return on the assets that is competitive with the returns available from the various types of investments deemed appropriate for investment. After preservation of capital, the objectives of the endowment, in order of importance, are to grow the principal to offset inflation and to produce a satisfactory level of current income.

Spending Policy
Distributions from the endowment will be made on a quarterly basis in an amount that shall be determined annually by the Organization’s Board of Directors’ Finance Committee. As a rule, the amount to be distributed in a fiscal year shall be no less than 4% and no more than 6% of the three-year trailing average of the endowments cash donation market value on December 31 of the prior year. Determining the distribution six months before the beginning of the fiscal year provides operating units with a predictable amount of revenue from this source. To assure growth of the endowment, payouts will not commence until the endowment fund reaches at least $1,000,000 or for three years after the first gift is made so the formula related to the three-year trailing average will apply.

Note 13. Functional Expenses

The functional expenses were as follows for the year ended June 30, 2021:

	2021						
	Program Services			Supporting Services			
	Funding of Schools and Scholarships	Programming Provided to Schools	Total Program	Administration	Fund Development	Total Support	Total
Salaries and benefits	$ -	$ 2,457,208	$ 2,457,208	$ 281,555	$ 185,570	$ 467,125	$ 2,924,333
Conferences and conventions	-	35,438	35,438	7,697	-	7,697	43,135
Grant distribution	1,867,905		1,867,905	-	-	-	1,867,905
Travel	-	14,430	14,430	810	764	1,574	16,004
Data analysis projects	-	67,518	67,518	123	-	123	67,641
Office expense and utilities	-	29,011	29,011	3,324	2,191	5,515	34,526
Printing and advertising	-	20,104	20,104	3,284	71,987	75,271	95,375
Payroll taxes	-	149,942	149,942	17,181	11,324	28,505	178,447
Rent	-	152,835	152,835	17,512	11,542	29,054	181,889
Software and technology	-	111,586	111,586	12,786	8,427	21,213	132,799
Membership and association dues and professional development	-	10,971	10,971	3,908	3,922	7,830	18,801
Contractor services	-	597,422	597,422	16,901	40,040	56,941	654,363
Telephone and internet	-	18,092	18,092	2,073	1,366	3,439	21,531
Federal and state taxes	-	(1,723)	(1,723)	(197)	(130)	(327)	(2,050)
Bank and payroll services	-	20,172	20,172	2,311	1,523	3,834	24,006
Insurance	-	20,508	20,508	2,350	1,549	3,899	24,407
Other miscellaneous expenses	-	21,009	21,009	2,407	1,586	3,993	25,002
	$ 1,867,905	$ 3,724,523	$ 5,592,428	$ 374,025	$ 341,661	$ 715,686	$ 6,308,114

RSM US LLP

Independent Auditor's Report
on the Supplementary Information

Board of Directors
Cristo Rey Network

We have audited the financial statements of the Cristo Rey Network (the Organization) as of and for the year ended June 30, 2021, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

RSM US LLP

Chicago, Illinois
December 22, 2021

Cristo Rey Network

Schedule of Revenues – Category
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021		2020	
	Total	**Percentage**	Total	Percentage
Support and revenue:				
Fundraising	**$ 5,344,444**	**68.4%**	$ 4,259,544	50.9%
Fundraising – grants to schools	**563,101**	**7.2%**	1,573,815	18.8%
School membership dues	**1,850,000**	**23.7%**	1,945,000	23.3%
University partnership dues	**27,000**	**0.4%**	72,500	0.9%
Paycheck Protection Program grant	**-**	**0.0%**	394,797	4.7%
Investment income	**27,206**	**0.3%**	116,260	1.4%
Total support and revenue	**$ 7,811,751**	**100.0%**	$ 8,361,916	100.0%