

Cristo Rey Network

Financial Report
June 30, 2023

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RSM US LLP

Independent Auditor's Report

Board of Directors
Cristo Rey Network

Opinion

We have audited the financial statements of Cristo Rey Network (the Organization), which comprise the statement of financial position as of June 30, 2023, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
February 14, 2024

Cristo Rey Network

Statement of Financial Position June 30, 2023 (With Comparative Totals for 2022)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 857,566	\$ 931,233
Current portion of contributions receivable	2,045,000	1,227,750
Accounts receivable, net	186,239	104,283
Operating lease right-of-use assets, net	185,068	-
Prepaid expenses	21,458	42,683
Total current assets	3,295,331	2,305,949
Investments	15,178,045	10,665,279
Cash surrender value of life insurance	468,377	465,435
Contributions receivable, net of current portion	4,362,745	655,346
Total assets	\$ 23,304,498	\$ 14,092,009
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 277,119	\$ 126,292
Accrued expenses	95,171	118,237
Operating lease liabilities	185,068	-
Unearned revenue	45,000	50,000
Total current liabilities	602,358	294,529
Total liabilities	602,358	294,529
Net assets:		
Without donor restrictions	9,213,294	8,513,261
With donor restrictions	13,488,846	5,284,219
Total net assets	22,702,140	13,797,480
Total liabilities and net assets	\$ 23,304,498	\$ 14,092,009

See notes to financial statements.

Cristo Rey Network

Statement of Activities

Year Ended June 30, 2023 (With Comparative Totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions of cash and financial assets	\$ 2,112,078	\$ 12,052,330	\$ 14,164,408	\$ 6,369,047
School membership dues and fees	2,326,529	-	2,326,529	2,080,095
Investment income (loss), net	343,272	4,920	348,192	(237,105)
Net assets released from restrictions	3,852,623	(3,852,623)	-	-
Total support and revenue	8,634,502	8,204,627	16,839,129	8,212,037
Expenses:				
Program services:				
Funding of schools	918,026	-	918,026	987,201
Funding of scholarships	190,250	-	190,250	151,344
Programming provided to schools	5,656,041	-	5,656,041	4,745,292
Total program services	6,764,317	-	6,764,317	5,883,837
Supporting services:				
Administration	616,011	-	616,011	574,592
Fund development	554,141	-	554,141	410,416
Total expenses	7,934,469	-	7,934,469	6,868,845
Change in net assets	700,033	8,204,627	8,904,660	1,343,192
Net assets:				
Beginning of year	8,513,261	5,284,219	13,797,480	12,454,288
End of year	\$ 9,213,294	\$ 13,488,846	\$ 22,702,140	\$ 13,797,480

See notes to financial statements.

Cristo Rey Network

Statement of Cash Flows
Year Ended June 30, 2023 (With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 8,904,660	\$ 1,343,192
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase in cash surrender value of life insurance	(2,942)	(6,127)
Net realized and change in unrealized (gain) loss on investments	(348,192)	517,051
Reduction in carrying amount of operating lease right-of-use asset	185,751	-
Cash paid for operating leases	(185,751)	-
Increase (decrease) in discount on contributions receivable	332,601	(14,066)
Contributions restricted for endowment	(175,609)	(174,586)
Changes in assets and liabilities:		
Accounts receivable	(81,956)	65,814
Prepaid expenses	21,225	45,429
Contributions receivable	(4,857,250)	822,527
Accounts payable	150,827	52,670
Accrued expenses	(23,066)	18,398
Unearned revenue	(5,000)	50,000
Net cash provided by operating activities	3,915,298	2,720,302
Cash flows from investing activities:		
Purchases of investments	(11,916,481)	(9,541,446)
Sales of investments	7,751,907	6,158,627
Net cash used in investing activities	(4,164,574)	(3,382,819)
Cash flows from financing activities:		
Contributions restricted for endowment	175,609	174,586
Net cash provided by financing activities	175,609	174,586
Net decrease in cash and cash equivalents	(73,667)	(487,931)
Cash and cash equivalents:		
Beginning	931,233	1,419,164
Ending	\$ 857,566	\$ 931,233

See notes to financial statements.

Cristo Rey Network

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Cristo Rey Network (the Organization) is a nonprofit organization whose purpose is 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 Organization's financial statements are prepared on the accrual basis of accounting in accordance with guidance on financial statements of nonprofit organizations, which establishes standards for general-purpose external financial statements issued by nonprofit organizations. It requires that net assets and related revenue, expenses, gains and losses be classified into two classes of net assets—net assets without donor restrictions and net assets with donor restrictions—based upon the existence or absence of donor-imposed restrictions. Net asset classes are described as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and net assets designated by the Organization's Board of Directors' Finance Committee (the Finance Committee). Changes in this category include investment income, contributions whose donor-imposed restrictions were met during the fiscal year, and distributions approved by the Finance Committee.

Net assets with donor restrictions: Net assets subject to restrictions imposed by donors. Some donor restrictions are temporary in nature; these restrictions will be met either by actions of the Organization or the passage of time. Such items include contributions restricted by donors for future years and income to be used only for purposes designated by the donor. In a subsequent year when the time restriction and/or purpose restriction is fulfilled, a transfer is recorded to net assets without donor restrictions. Some donor restrictions are perpetual in nature, in which the donor has stipulated that the funds be invested in perpetuity.

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. The amount on deposit at June 30, 2023, exceeded the insurance limits of the Federal Deposit Insurance Corporation (FDIC) by \$607,566.

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, 2023.

Cristo Rey Network

Notes to Financial Statements

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

Contributions receivable: Contributions, including unconditional contributions receivable, are recognized at fair value as revenue in the period received. Conditional contributions receivable 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 contributions receivable is provided based upon management's judgment of potential defaults. Recoveries of contributions receivable previously written off are recorded as revenue when received. Management believes that an allowance was not required, based on its evaluation of collectability of contributions receivable at June 30, 2023. (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.

Contributions: 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.

School membership dues and fees: Member Cristo Rey high schools pay annual membership dues. Some member Cristo Rey high schools also pay fees for services. School membership dues and fees are recorded as revenue throughout the applicable membership period as services are being provided. Performance obligations are met during the fiscal year for which the membership dues apply. As of June 30, 2023 and 2022, the Organization had \$5,000 and \$50,000, respectively, of unearned revenues related to membership dues received for the following year, for which performance obligations were outstanding. As of June 30, 2023 and 2022, the Organization had \$40,000 and \$0, respectively, of unearned revenues related to unearned board member dues received for the following year, for which performance obligations were outstanding. Receivables from membership dues, which are included in accounts receivable in the statement of financial position were \$122,275 and \$65,000 as of June 30, 2023 and June 30, 2022, respectively.

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 do not relate directly to a program or supporting service are allocated based on headcount.

Cristo Rey Network

Notes to Financial Statements

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

Leases: Prior to July 1, 2022, the Organization followed the lease accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 840. Effective July 1, 2022, the Organization follows the lease accounting guidance in FASB ASC Topic 842. The Organization determines if an arrangement is a lease at inception of the contract. Under Topic 842, a lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (i.e., an identified asset) for a period of time in exchange for consideration. The Organization's contracts determined to be a lease or contain a lease include explicitly or implicitly identified assets where the Organization has the right to obtain substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term.

Leases are classified as either operating or financing. The Organization currently has only operating leases. For operating leases, the Organization recognizes a lease liability equal to the present value of the remaining lease payments and lease incentives, and a right-of-use asset equal to the lease liability, subject to certain adjustments, such as for prepaid rents. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise such option. The discount rate used by the Organization is the rate implicit in the lease, if that rate is readily determinable. If that rate is not readily determinable, the Organization has made a policy election to use a risk-free rate as the discount rate.

The Organization defines a short-term lease as any lease arrangement with an original lease term of 12 months or less that does not include an option to purchase the underlying asset. The Organization has made a policy election to not recognize right-of-use assets and lease liabilities for short-term leases. As a result, short-term lease payments are recognized as expense on a straight-line basis over the lease term, and variable lease payments are recognized in the period in which the obligation is incurred. The Organization did not have any short-term leases in fiscal year 2023.

For lease arrangements with lease and non-lease components, the Organization has made a policy election to account for lease and non-lease components separately for all classes of assets.

Newly adopted accounting pronouncement: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*, which is intended to increase transparency and comparability among organizations related to their leasing arrangements. The new lease standard, including all the related amendments subsequent to its issuance, supersedes the current guidance for lease accounting and requires lessees to recognize a right-of-use asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term for substantially all leases, as well as disclose key quantitative and qualitative information about leasing arrangements.

The Organization adopted ASU 2016-02 on July 1, 2022, using the optional transition method to the modified retrospective approach. In addition to policy election choices, ASC Topic 842 includes practical expedient choices. The Organization elected the package of practical expedients available in the standard and as a result, did not reassess the lease classification of existing contracts or leases or the initial direct costs associated with existing leases. The Organization did not elect the hindsight practical expedient, and so did not re-evaluate lease term for existing leases.

The adoption did not result in a cumulative-effect adjustment to the opening balance of net assets without donor restrictions. Upon adoption, the Organization recognized right-of-use assets and operating lease liabilities in the amount of \$363,238 for July 1, 2022.

Cristo Rey Network

Notes to Financial Statements

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

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, 2023. The Organization files Form 990 annually in the U.S. federal jurisdiction and in the state of Illinois.

Use of estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as 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 this information does not provide changes in net assets by asset class. Therefore, this information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, this information should be read in conjunction with the Organization's financial statements for fiscal year 2022, from which the summarized information was derived.

Reclassifications: Certain fiscal year 2022 balances have been reclassified to conform to the current year presentation without any effect on previously reported total net assets or changes in net assets.

Subsequent events: The Organization evaluated subsequent events through February 14, 2024, the date on which the financial statements were available to be issued.

Cristo Rey Network

Notes to Financial Statements

Note 2. Liquidity and Available 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, 2023:

Financial assets at year-end:	
Cash and cash equivalents	\$ 857,566
Contributions receivable	6,407,745
Accounts receivable	186,239
Investments	15,178,045
	<u>22,629,595</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	13,488,846
Board designated endowment fund	1,183,761
Less contributions made with time restrictions to be met in less than a year	(2,045,000)
	<u>12,627,607</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 10,001,988</u>

Note 3. Contributions Receivable

At June 30, 2023, the Organization had \$6,407,745 in contributions receivable for the expansion and support of Cristo Rey Network member schools. Contributions receivable 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 contributions receivable are being paid over a period of one to five years.

Unconditional contributions receivable are estimated to be collected as follows at June 30, 2023:

Within one year	\$ 2,045,000
In one to five years	4,715,000
	<u>6,760,000</u>
Less discount to net present value	(352,255)
	<u>\$ 6,407,745</u>

Contributions receivable have been discounted to their net present value using risk-adjusted discount rate of 4.11% at June 30, 2023.

Note 4. 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, 2023. The cash surrender value of this policy amounted to \$468,377 at June 30, 2023.

Cristo Rey Network

Notes to Financial Statements

Note 5. Fair Value of Investments

The Fair Value Measurements and Disclosures topic of the Financial Accounting Standards Board Codification (Topic) 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 sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Topic are described below:

Level 1: Quoted market prices in active markets, such as the New York Stock Exchange, for identical assets or liabilities.

Level 2: Observable market based inputs or observable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

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 fixed income securities (including corporate bonds and foreign bonds) are 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 fixed income securities are categorized as Level 2 in 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 or foreign bonds categorized as Level 3 at June 30, 2023. Mutual funds are valued based on quoted market prices in active markets and are categorized as Level 1 at June 30, 2023.

The major categories of assets reported at fair value as of June 30, 2023 is as follows:

Description	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments				
Mutual Funds	\$ 3,471,313	\$ -	\$ -	\$ 3,471,313
Fixed income:				
Corporate bonds	-	9,071,187	-	9,071,187
Foreign bonds	-	2,635,545	-	2,635,545
	<u>\$ 3,471,313</u>	<u>\$ 11,706,732</u>	<u>\$ -</u>	<u>\$ 15,178,045</u>

Cristo Rey Network

Notes to Financial Statements

Note 6. Leases

The Organization entered into a lease agreement related to its office space. In accordance with the lease, the Organization is leasing approximately 8,130 square feet of office space.

ASC Topic 842 includes a number of reassessment and re-measurement requirements for lessees based on certain triggering events or conditions, including whether a contract is or contains a lease, assessment of lease term and purchase options, measurement of lease payments, assessment of lease classification and assessment of the applicable discount rate. The Organization reviewed the reassessment and re-measurement requirements and did not identify any events or conditions during the year ended June 30, 2023, that required a reassessment or re-measurement. In addition, there were no impairment indicators identified during the year ended June 30, 2023, that required an impairment test for the Organization's right-of-use assets or other long-lived assets in accordance with ASC 360-10.

The components of lease expense and supplemental cash flow information related to leases for the year ended June 30, 2023, are as follows:

Operating lease cost	\$ 186,617
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 185,751
Weighted-average remaining lease term - operating leases	1.00 year
Weighted-average discount rate - operating leases	2.84%

Maturities of the Organization's lease liabilities are as follows:

Years ending June 30:	
2024	\$ 187,484
Less imputed interest	(2,416)
Total lease obligations	<u>\$ 185,068</u>

Note 7. Retirement Plan

The Organization has a defined contribution 401(k) plan (the Plan) covering eligible employees. The Organization offers employees the opportunity to contribute to the 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. The Plan expenses for the year ended June 30, 2023 are \$109,989.

Cristo Rey Network

Notes to Financial Statements

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023, are restricted for the following purposes:

Time-restricted for future periods	<u>\$ 6,512,020</u>
Purpose restricted:	
Member School Grants	420,852
Alumni Scholarships	4,512,901
Endowment fund—earnings	17,412
	<u>4,951,165</u>
Perpetual in nature:	
Endowment fund—corpus	1,557,233
Endowment fund—insurance policy	468,428
	<u>2,025,661</u>
	<u>\$ 13,488,846</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2023.

Expiration of time restrictions	<u>\$ 2,731,839</u>
Satisfaction of purpose restrictions:	
Member School Grants	928,909
Alumni Scholarships	191,875
	<u>\$ 3,852,623</u>

Note 9. 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, 2023, the endowment consists of cumulative donations to be held in perpetuity of \$1,557,233 as well as a life insurance policy with a cash surrender value of \$468,428 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 Organization's Board of Directors (the Board).

As of June 30, 2023, the Finance Committee had \$1,183,761 in the board-designated endowment. These funds do not include any donor restrictions on the use of principal. The Board may or may not designate the use of the income for any particular purpose. The Board may remove and use the principal and/or income from the board designated endowment fund for any purpose it chooses.

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Cristo Rey Network

Notes to Financial Statements

Note 9. Endowment Fund (Continued)

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.

The Organization's endowment net assets as of June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment fund	\$ 1,183,761	\$ -	\$ 1,183,761
Donor restricted endowment fund:			
Original donor restricted gift amounts and amounts required to be maintained in perpetuity by donor	-	1,557,233	1,557,233
Accumulated investment gains	-	17,412	17,412
	<u>\$ 1,183,761</u>	<u>\$ 1,574,645</u>	<u>\$ 2,758,406</u>

The changes in endowment net assets for the Organization were as follows for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 1,168,426	\$ 1,379,167
Transferred to board designated endowment	-	175,609
Net realized and change in unrealized loss	(21,848)	(28,307)
Interest income	37,183	48,176
Endowment net assets, end of year	<u>\$ 1,183,761</u>	<u>\$ 1,574,645</u>

Cristo Rey Network

Notes to Financial Statements

Note 9. Endowment Fund (Continued)

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 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 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 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, distributions 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. There were no distributions in the fiscal year ended June 30, 2023.

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 UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in donor restricted net assets. There were no such deficiencies as of June 30, 2023.

Cristo Rey Network

Notes to Financial Statements

Note 10. Functional Expenses

The functional expenses were as follows for the year ended June 30, 2023:

	Program Services			Supporting Services			
	Funding of Schools and Scholarships	Programming Provided to Schools	Total Program	Administration	Fund Development	Total Support	Total
Salaries and related employee expenses	\$ -	\$ 3,319,857	\$ 3,319,857	\$ 368,460	\$ 388,780	\$ 757,240	\$ 4,077,097
Professional fees	-	858,568	858,568	110,862	37,500	148,362	1,006,930
Grants for member schools	918,026	-	918,026	-	-	-	918,026
Training and events	-	706,947	706,947	30,075	10,380	40,455	747,402
Travel	-	260,843	260,843	33,845	26,913	60,758	321,601
Software, technology and subscriptions	-	227,013	227,013	27,185	28,684	55,869	282,882
Occupancy and related office expenses	-	193,737	193,737	23,201	24,480	47,681	241,418
Scholarships for alumni	190,250	-	190,250	-	-	-	190,250
Advertising and promotion	-	14,622	14,622	13,467	27,996	41,463	56,085
Membership fees, staff professional development and educational materials	-	31,889	31,889	3,818	4,029	7,847	39,736
Insurance	-	21,757	21,757	2,605	2,749	5,354	27,111
Bank and payroll services	-	18,832	18,832	2,255	2,380	4,635	23,467
Other miscellaneous expenditures	-	1,976	1,976	238	250	488	2,464
	<u>\$ 1,108,276</u>	<u>\$ 5,656,041</u>	<u>\$ 6,764,317</u>	<u>\$ 616,011</u>	<u>\$ 554,141</u>	<u>\$ 1,170,152</u>	<u>\$ 7,934,469</u>



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, 2023, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audit was conducted 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
February 14, 2024

Cristo Rey Network

**Schedule of Revenues—Category
Year Ended June 30, 2023 (With Comparative Totals for 2022)**

	2023		2022	
	Total	Percentage	Total	Percentage
Support and revenue:				
Contributions	\$ 13,539,075	80.4%	\$ 5,590,645	68.1%
Contributions—grants to schools	625,333	3.7%	722,872	8.8%
School membership dues	2,326,529	13.8%	2,080,095	25.3%
University partnership dues	-	0.0%	55,530	0.7%
Investment income (loss), net	348,192	2.1%	(237,105)	-2.9%
Total support and revenue	\$ 16,839,129	100.0%	\$ 8,212,037	100.0%