Christ the King Jesuit College Preparatory School and Affiliates

Consolidated Financial Report
June 30, 2018

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Contents

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Independent Auditor's Report

To the Board of Directors
Christ the King Jesuit College Preparatory School

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Christ the King Jesuit College Preparatory School (the School), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 the 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 School as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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
October 31, 2018

Christ the King Jesuit College Preparatory School and Affiliates

Consolidated Statements of Financial Position June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	**$ 669,431**	$ 977,898
Investments	**766,142**	103,931
Pledges receivable, net	**720,238**	978,259
Due from related party	**70,400**	264,188
Prepaid expenses	**53,294**	63,832
Property and equipment, net	**19,383,842**	20,174,631
Total assets	**$ 21,663,347**	$ 22,562,739
Liabilities and Net Assets		
Liabilities:		
Notes payable	**$ 400,000**	$ 500,000
Accounts payable	**2,445**	-
Deferred income	**107,630**	55,594
Capital lease obligation	**18,418**	33,609
Accrued expenses	**206,291**	21,766
Total liabilities	**734,784**	610,969
Net assets:		
Unrestricted	**19,766,254**	20,982,011
Temporarily restricted	**908,309**	865,759
Permanently restricted	**254,000**	104,000
Total net assets	**20,928,563**	21,951,770
Total liabilities and net assets	**$ 21,663,347**	$ 22,562,739

See notes to financial statements.

Christ the King Jesuit College Preparatory School and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2018

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Tuition and fees, net	$ 377,366	$ -	$ -	$ 377,366
Corporate work study program	2,291,087	-	-	2,291,087
Contributions	1,338,635	340,217	150,000	1,828,852
Event income, net	516,820	-	-	516,820
Scholarships	69,200	-	-	69,200
Other income	126,698	-	-	126,698
Investment income	2,963	12,333	-	15,296
Net assets released from restrictions	310,000	(310,000)	-	-
Total revenue and support	5,032,769	42,550	150,000	5,225,319
Expenses:				
Educational	4,990,622	-	-	4,990,622
General and administrative	679,522	-	-	679,522
Fundraising and development	578,382	-	-	578,382
Total expenses	6,248,526	-	-	6,248,526
Change in net assets	(1,215,757)	42,550	150,000	(1,023,207)
Net assets:				
Beginning of year	20,982,011	865,759	104,000	21,951,770
End of year	$ 19,766,254	$ 908,309	$ 254,000	$ 20,928,563

See notes to financial statements.

Christ the King Jesuit College Preparatory School and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Tuition and fees, net	$ 454,835	$ -	$ -	$ 454,835
Corporate work study program	2,074,590	-	-	2,074,590
Contributions	1,473,375	512,500	100,000	2,085,875
Event income, net	354,999	-	-	354,999
Scholarships	101,200	-	-	101,200
Other income	112,228	-	-	112,228
Investment income	7,155	2,887	-	10,042
Net assets released from restrictions	36,930	(36,930)	-	-
Total revenue and support	4,615,312	478,457	100,000	5,193,769
Expenses:				
Educational	4,692,965	-	-	4,692,965
General and administrative	693,174	-	-	693,174
Fundraising and development	470,940	-	-	470,940
Total expenses	5,857,079	-	-	5,857,079
Change in net assets	(1,241,767)	478,457	100,000	(663,310)
Net assets:				
Beginning of year	22,223,778	387,302	4,000	22,615,080
End of year	$ 20,982,011	$ 865,759	$ 104,000	$ 21,951,770

See notes to financial statements.

Christ the King Jesuit College Preparatory School and Affiliates

Consolidated Statements of Cash Flows
Year Ended June 30, 2018

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ (1,023,207)**	$ (663,310)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	**860,275**	988,485
Change in discount on pledges receivable	**(6,090)**	5,332
Net unrealized and realized gains on investments	**(6,661)**	(2,887)
Contributions restricted for permanent scholarship endowment	**(150,000)**	(100,000)
Changes in assets and liabilities:		
Pledges receivable	**264,111**	450,802
Due from related party	**193,788**	(222,464)
Prepaid expenses	**10,538**	(44,872)
Accounts payable and accrued expenses	**186,970**	(110,259)
Deferred income	**52,036**	37,069
Due to related party	**-**	(160,185)
Net cash provided by operating activities	**381,760**	177,711
Cash flows from investing activities:		
Purchases of fixed assets	**(69,486)**	(90,147)
Purchases of investments	**(655,550)**	(101,044)
Net cash used in investing activities	**(725,036)**	(191,191)
Cash flows from financing activities:		
Repayment of capital lease obligation	**(15,191)**	(14,662)
Repayment of term loan	**(100,000)**	(100,000)
Repayment of revolving loan	**-**	(42,000)
Proceeds from contributions restricted for permanent scholarship endowment	**150,000**	100,000
Net cash provided by (used in) financing activities	**34,809**	(56,662)
Net decrease in cash and cash equivalents	**(308,467)**	(70,142)
Cash and cash equivalents:		
Beginning of year	**977,898**	1,048,040
End of year	**$ 669,431**	$ 977,898
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 21,328**	$ 28,562

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: *Christ the King Jesuit College Preparatory School* (the School) is a Catholic school on Chicago's West Side and a member of the Cristo Rey Network. The School challenges and inspires its young women and men through the integration of academics, work experience and extracurricular activities to lead lives of integrity, faith and servant leadership for the greater glory of God.

The School arranges for students to work in entry-level office and professional assistant positions. Participating corporate sponsors are enrolled by an affiliated organization. The student then earns credits that are applied to the student's high school tuition. The corporate sponsor pays the School a fee for the services provided.

The student is employed in the Corporate Work Study Program for five days during the school month at a position with a corporate sponsor. The student learns valuable, practical employment related skills and the work experience is an integral part of the regular academic curriculum.

The work-study program offers an opportunity for the students to earn a significant portion of their tuition. The students' families are at lower economic levels of income and could not afford the tuition for their children without this opportunity.

The School consolidates the following organizations:

Christ the King SPE, LLC (SPE) is an Illinois limited liability company (LLC), formed on April 15, 2009, in anticipation of entering into a New Markets Tax Credit (NMTC) transaction pursuant to Internal Revenue Service rules and regulations. The LLC's single member is the School. The purpose of this LLC entity was to acquire an interest in the real estate, improvements and personal property located at the School's campus at 5088 West Jackson Boulevard, Chicago, Illinois. Pursuant to the NMTC requirements, this entity is a designated Single Purpose Entity (SPE).

Christ the King Fund (the Fund) is a 501(c)(3) entity formed in Illinois on April 30, 2009. The Fund was Leverage Lender in the NMTC transaction from May 29, 2009 until June 1, 2016.

The NMTC transaction terminated on June 1, 2016. However, the two entities above were not dissolved. The SPE continues to hold the School property while the Fund holds the gain on the NMTC transaction and continues to collect the remaining pledges receivable from the campaign held during the NMTC.

A summary of the School’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 Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under the Codification, the School is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets: Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

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

Temporarily restricted net assets: Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the School pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. When the restrictions are fulfilled, these assets are reclassified to unrestricted net assets. The School's temporarily restricted net assets resulted solely from contributions whose use is limited by time restrictions.

Permanently restricted net assets: Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the School's actions. Permanently restricted net assets totaled $254,000 and $104,000 as of June 30, 2018 and 2017, respectively, of which the income is temporarily restricted.

Basis of consolidation: The accompanying financial statements include the accounts of Christ the King Jesuit College Preparatory School, Christ the King SPE, LLC and Christ the King Fund. Christ the King Jesuit College Preparatory School exercises control and has an economic interest in Christ the King SPE, LLC and Christ the King Fund and, therefore, presents consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and cash equivalents: Cash and cash equivalents include highly liquid short-term investments with maturities of 90 days or less from the date of purchase. The School maintains its cash balance in financial institutions, which at times may exceed federally insured limits. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

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.

Pledges receivable: Pledges that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. Pledges receivable have been discounted using rates that approximate the risk associated with the ultimate collection of the receivable. The discount is amortized using an effective yield over the expected collection period of the receivable. The School uses the allowance method to determine uncollectible pledges receivable. The allowance is based on management's analysis of specific pledges receivable.

Property and equipment: Property and equipment are recorded at cost if purchased or fair value if donated. Depreciation is computed using the straight-line method over the estimated useful life of the assets.

Functional allocation of expenses: The costs of providing program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Expenses that relate directly to a program or supporting service are allocated to that program or supporting service.

Income tax status: The School is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The School had no net unrelated business income for the years ended June 30, 2018 and 2017.

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

The School has adopted the accounting standard on accounting for uncertainty in income taxes, which 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 policy, the School may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management has evaluated the School's tax positions and has concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guidance.

Tuition: Tuition and fees are recognized in the academic year in which they are earned. Deposits or prepayments for subsequent academic years are recorded as deferred revenue when received. Tuition and fees in the consolidated statements of financial position are presented net of financial aid of $423,900 and $488,119 awarded in 2018 and 2017, respectively.

Corporate work study: Corporate work study payments are recognized in the academic year in which they are earned and prepayments for subsequent academic years are recorded as deferred revenue when received.

Contributions: Contributions, including those made for scholarships, are recognized when an unconditional promise to give is made (pledges receivable) or when cash is received, if an unconditional promise does not exist. All donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Contributions received and released in the same year are reported as unrestricted net assets.

Event income: Special event revenue is recognized in the period the event occurs.

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 may vary from those estimates.

Recent accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (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 updated standard will replace most existing revenue recognition guidance in U.S. GAAP. The updated standard will be effective for the School in the fiscal year ending June 30, 2020.

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 twelve 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 School in the fiscal year ending June 30, 2021.

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

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard is effective for the School in the fiscal year ending June 30, 2019, and early adoption is allowed.

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 or exchange transactions. It further clarifies when contributions should be deemed conditional. The new standard will be effective for the School in the fiscal year ending June 30, 2020, and early adoption is allowed.

The School is currently evaluating the impact of the adoption of these standards on its financial statements.

Subsequent events: Subsequent events have been evaluated through October 31, 2018, which is the date the financial statements were available for issue.

Note 2. Pledges Receivable

Pledges receivable at June 30, 2018 and 2017, consist of the following:

	2018	2017
Gross amount due in:		
One year	$ 600,344	$ 605,420
One to five years	137,500	396,535
Subtotal	737,844	1,001,955
Less allowance for uncollectible accounts	(10,000)	(10,000)
Less discount to present value	(7,606)	(13,696)
Total	$ 720,238	$ 978,259

The allowance for uncollectible accounts is based upon management's estimate of the pledges that may be uncollectible in the future. A discount factor has also been applied to the total value of the pledges donated currently but to be paid in future periods. The School uses the June 30 rate for U.S. Treasuries to estimate the discounted cash flows and present value methods in this computation. The average discount rate used as of June 30, 2018 and 2017, was 2.31 and 1.31 percent, respectively.

Note 3. Property and Equipment

Property and equipment consists of the following as of June 30, 2018 and 2017:

	Useful Life	2018	2017
Land	–	$ 455,238	$ 455,238
Building and building improvements	35 years	25,079,400	25,058,910
Computers	5 years	990,671	963,412
Furniture and fixtures	7 years	2,070,957	2,069,772
Textbooks and library resources	5-7 years	657,614	637,058
		29,253,880	29,184,390
Less accumulated depreciation		(9,870,038)	(9,009,759)
Net property and equipment		$ 19,383,842	$ 20,174,631

Depreciation expense on property and equipment totaled $860,275 and $988,485 for the years ended June 30, 2018 and 2017, respectively.

Note 4. Fair Value Measurements

The School 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.

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 School'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.

Note 4. Fair Value Measurements (Continued)

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.

Investments in money market funds and mutual funds traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy. There were no Level 2 and 3 investments in fiscal year 2018 and 2017.

The School 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 School's accounting policy regarding recognition of transfers between levels of the fair value hierarchy. There were no such transfers for fiscal year 2018 and 2017.

At June 30, 2018 and 2017, the fair value of the Level 1 mutual fund investments held by the School as defined above totaled to $766,142 and $103,931, respectively. These mutual funds are invested in a mix of equities and bonds.

Note 5. Notes Payable

The School entered into a $600,000 term loan agreement in December 2016. The term loan had a maturity date of December 31, 2017, and was extended to January 15, 2019. The School repaid $100,000 in June 2017 and June 2018, and the remaining principal is not due until the maturity date of the note and interest is payable monthly. Outstanding principal bears interest at 2.25 percent plus one month LIBOR. As of June 30, 2018, there is a balance of unpaid principal under this loan of $400,000.

On December 15, 2016, the School entered into a revolving line of credit with Wintrust Bank which provides for a $1,000,000 operating line of credit and had an expiration date of December 31, 2017. On January 15, 2018, the School renewed the line of credit until January 15, 2019. Borrowings under the line of credit agreement bear interest at the Wall Street Journal Prime Rate, which ranged from 4.25 to 5 percent during the year. There were no outstanding borrowings at June 30, 2018.

Both loans require the School to be in compliance with their debt covenants and prohibit the School from incurring any indebtedness that can be senior to or secured by assets in a way that is disadvantageous to Wintrust Bank.

Note 6. Related-Party Transactions

Cristo Rey Work Study Program

The School's students participate in the Cristo Rey Work Study Program, a not for profit organization affiliated with Cristo Rey Jesuit High School. This program enrolls sponsors, principally corporations, in the Chicago area which offer employment opportunities to the School's students. During the current year students from Christ the King, along with students from the Cristo Rey Jesuit High School, participated in the Cristo Rey Work Study Program. As a result of the participation of students from Christ the King in the program in 2018 and 2017, $2,291,087 and $2,074,590 was allocated to Christ the King after expenses, respectively.

	2018		
	Cristo Rey	Christ the King	Total
Corporate sponsor revenue	$ 4,850,762	$ 2,573,027	$ 7,423,789
Grant income	-	49,818	49,818
Program expenses	(685,119)	(599,858)	(1,284,977)
Net allocation	4,165,643	2,022,987	6,188,630
Corporate sponsor revenue-non-profit	69,463	268,100	337,563
Total corporate work study program	$ 4,235,106	$ 2,291,087	$ 6,526,193

	2017		
	Cristo Rey	Christ the King	Total
Corporate sponsor revenue	$ 4,498,118	$ 2,522,147	$ 7,020,265
Program expenses	(707,407)	(528,570)	(1,235,977)
Net allocation	3,790,711	1,993,577	5,784,288
Corporate sponsor revenue-non-profit	91,750	81,013	172,763
Total corporate work study program	$ 3,882,461	$ 2,074,590	$ 5,957,051

The Corporate Work Study Program earned an additional $337,563 and $172,763 from other non-profit sources in 2018 and 2017, respectively.

At June 30, 2018 and 2017, a total of $70,400 and $264,188, respectively, was due from Cristo Rey Work Study Program to the School.

Note 7. Retirement Plan

The School maintains a Section 401(k) plan for its employees. Employees are eligible to contribute to the 401(k) plan upon employment and anytime thereafter. The School matches the employee's contributions by contributing $1.00 for each $1.00 contributed by the employee, up to a maximum of 4 percent of pay contributed by the employee. This matching contribution vests immediately for all participants. In fiscal 2018 and 2017, the School's portion of the contribution was $78,392 and $65,133, respectively.

Note 8. Leases

The School leases office equipment from third party vendors. The leases are categorized as a purchase acquisition pursuant to accounting standards. Therefore, the economic substance of the leases are considered as a financed acquisition of the underlying assets. These are recorded and depreciated on straight-line methods in the School's assets and reported liabilities.

Future minimum lease payments are as follows:

Year ending June 30:		
2019	$	15,740
2020		2,678
	$	18,418

The amount of capital leases included in property and equipment in Note 3 above totals $60,097. At June 30, 2018 and 2017, the accumulated amortization totaled $41,679 and $26,488, respectively, and the amortization expense for the year ended June 30, 2018 and 2017, totaled $15,191 and $14,662, respectively.

Note 9. Endowment Fund

The School’s endowment consists of a permanently restricted endowment fund. 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 School 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 School classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the School 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 School 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 School; and the investment policies of the School.

Note 9. Endowment Fund (Continued)

The changes in endowment net assets for the School were as follows for the years ended June 30, 2018 and 2017:

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,931	$ 104,000	$ 107,931
Contributions	-	150,000	150,000
Net realized and change in unrealized gain	8,209	-	8,209
Endowment net assets, end of year	$ 12,140	$ 254,000	$ 266,140

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 4,000	$ 4,000
Contributions	-	100,000	100,000
Net realized and change in unrealized gain	3,931	-	3,931
Endowment net assets, end of year	$ 3,931	$ 104,000	$ 107,931

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 School to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in temporarily restricted net assets to the extent accumulated gains are available to absorb such loss, or otherwise unrestricted net assets. There were no such deficiencies as of June 30, 2018 and 2017.

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

Investment Policy
The investment policy of the School is to achieve the highest rate of return possible within an acceptable range of risk and volatility.

The School's Board of Directors 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 endowment fund investments are managed by The Vanguard Group.

Spending Policy
A spending rate of 0 percent to 5 percent, as may be revised by the Investment Committee at any time, will be applied to determine the spending amount available each year. Distributions are authorized annually in accordance with the endowment fund agreement.

Supplementary Information

Christ the King Jesuit College Preparatory School
and Affiliates

Consolidating Statement of Financial Position
June 30, 2018

	Christ the King Jesuit College Preparatory School	Christ the King SPE, LLC	Christ the King Fund	Affiliate Elimination	Consolidated Total
Assets					
Cash and cash equivalents	$ 172,520	$ 968	$ 495,943	$ -	$ 669,431
Investments	266,142	-	500,000	-	766,142
Pledges receivable, net	720,238	-	190,044	(190,044)	720,238
Due from related party	78,332	-	-	(7,932)	70,400
Prepaid expenses	53,294	-	-	-	53,294
Property and equipment, net	535,315	18,848,527	-	-	19,383,842
Total assets	$ 1,825,841	$ 18,849,495	$ 1,185,987	$ (197,976)	$ 21,663,347
Liabilities and Net Assets					
Liabilities:					
Notes payable	$ 400,000	$ -	$ -	$ -	$ 400,000
Accounts payable	2,445	-	-	-	2,445
Deferred income	107,630	-	-	-	107,630
Due to related party	-	7,932	190,044	(197,976)	-
Capital lease obligation	18,418	-	-	-	18,418
Accrued expenses	206,291	-	-	-	206,291
Total liabilities	734,784	7,932	190,044	(197,976)	734,784
Net assets:					
Unrestricted	(71,252)	18,841,563	995,943	-	19,766,254
Temporarily restricted	908,309	-	-	-	908,309
Permanently restricted	254,000	-	-	-	254,000
Total net assets	1,091,057	18,841,563	995,943	-	20,928,563
Total liabilities and net assets	$ 1,825,841	$ 18,849,495	$ 1,185,987	$ (197,976)	$ 21,663,347

See independent auditor's report.

Christ the King Jesuit College Preparatory School and Affiliates

Consolidating Statement of Financial Position
June 30, 2017

	Christ the King Jesuit College Preparatory School	Christ the King SPE, LLC	Christ the King Fund	Affiliate Elimination	Consolidated Total
Assets					
Cash and cash equivalents	$ 23,925	$ 967	$ 953,006	$ -	$ 977,898
Investments	103,931	-	-	-	103,931
Pledges receivable, net	978,259	-	444,048	(444,048)	978,259
Due from related party	272,120	-	50,000	(57,932)	264,188
Prepaid expenses	63,832	-	-	-	63,832
Property and equipment, net	580,710	19,593,921	-	-	20,174,631
Total assets	$ 2,022,777	$ 19,594,888	$ 1,447,054	$ (501,980)	$ 22,562,739
Liabilities and Net Assets					
Liabilities:					
Notes payable	$ 500,000	$ -	$ -	$ -	$ 500,000
Deferred income	55,594	-	-	-	55,594
Due to related party	50,000	7,932	444,048	(501,980)	-
Capital lease obligation	33,609	-	-	-	33,609
Accrued expenses	21,766	-	-	-	21,766
Total liabilities	660,969	7,932	444,048	(501,980)	610,969
Net assets:					
Unrestricted	392,049	19,586,956	1,003,006	-	20,982,011
Temporarily restricted	865,759	-	-	-	865,759
Permanently restricted	104,000	-	-	-	104,000
Total net assets	1,361,808	19,586,956	1,003,006	-	21,951,770
Total liabilities and net assets	$ 2,022,777	$ 19,594,888	$ 1,447,054	$ (501,980)	$ 22,562,739

See independent auditor's report.

Christ the King Jesuit College Preparatory School and Affiliates

Consolidating Statement of Activities
Year Ended June 30, 2018

	Christ the King Jesuit College Preparatory School	Christ the King SPE, LLC	Christ the King Fund	Affiliate Elimination	Consolidated Total
Revenue and support:					
Tuition and fees, net	$ 377,366	$ -	$ -	$ -	$ 377,366
Corporate work study program	2,291,087	-	-	-	2,291,087
Contributions	1,828,852	-	-	-	1,828,852
Event income, net	516,820	-	-	-	516,820
Scholarships	69,200	-	-	-	69,200
Other income	126,698	-	-	-	126,698
Investment income	12,355	-	2,941	-	15,296
Total revenue and support	5,222,378	-	2,941	-	5,225,319
Expenses:					
Educational	4,253,875	736,747	-	-	4,990,622
General and administrative	665,240	4,278	10,004	-	679,522
Fundraising and development	574,014	4,368	-	-	578,382
Total expenses	5,493,129	745,393	10,004	-	6,248,526
Change in net assets	(270,751)	(745,393)	(7,063)	-	(1,023,207)
Net assets:					
Beginning of year	1,361,808	19,586,956	1,003,006	-	21,951,770
End of year	$ 1,091,057	$ 18,841,563	$ 995,943	$ -	$ 20,928,563

See independent auditor's report.

Christ the King Jesuit College Preparatory School and Affiliates

Consolidating Statement of Activities
Year Ended June 30, 2017

	Christ the King Jesuit College Preparatory School	Christ the King SPE, LLC	Christ the King Fund	Affiliate Elimination	Consolidated Total
Revenue and support:					
Tuition and fees, net	$ 454,835	$ -	$ -	$ -	$ 454,835
Corporate work study program	2,074,590	-	-	-	2,074,590
Contributions	2,085,875	-	-	-	2,085,875
Event income, net	354,999	-	-	-	354,999
Scholarships	101,200	-	-	-	101,200
Other income	112,011	-	217	-	112,228
Investment income	4,016	-	6,026	-	10,042
Total revenue and support	5,187,526	-	6,243	-	5,193,769
Expenses:					
Educational	3,821,032	871,933	-	-	4,692,965
General and administrative	678,704	3,450	11,020	-	693,174
Fundraising and development	470,940	-	-	-	470,940
Total expenses	4,970,676	875,383	11,020	-	5,857,079
Change in net assets	216,850	(875,383)	(4,777)	-	(663,310)
Net assets:					
Beginning of year	1,144,958	20,462,339	1,007,783	-	22,615,080
End of year	$ 1,361,808	$ 19,586,956	$ 1,003,006	$ -	$ 21,951,770

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