

DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
FINANCIAL STATEMENTS
AS OF JUNE 30, 2008
TOGETHER WITH
AUDITORS' REPORT

DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
FINANCIAL STATEMENTS
AS OF JUNE 30, 2008

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Nawrocki Smith LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To Most Reverend William Murphy,
Bishop of the Diocese of Rockville Centre:

We have audited the accompanying consolidating statements of financial position of the Diocesan High Schools of the Diocese of Rockville Centre (the "High Schools") as of June 30, 2008 and the related consolidating statements of activities and changes in net assets and cash flows for the year then ended. These financial statements and the statements referred to below are the responsibility of the High Schools' management. Our responsibility is to express an opinion on these financial statements and statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocesan High Schools of the Diocese of Rockville Centre as of June 30, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying comparative statements of activities and changes in net assets are presented for purposes of additional analysis and are not a required part of the financial statements. This information has been subjected to the auditing procedures applied in our audits of the financial statements for the years ended June 30, 2008 and 2007 and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Melville, New York
August 28, 2008

Nawrocki Smith LLP

DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2008

<u>ASSETS</u>	<u>Bishop McGann-Mercy</u>	<u>Holy Trinity</u>	<u>St. John The Baptist</u>	<u>Total</u>
Cash	\$ 152,103	\$ 1,330,836	\$ 4,164,647	\$ 5,647,586
Cash investments	566,635	1,606,815	438,445	2,611,895
Cash and cash equivalents	718,738	2,937,651	4,603,092	8,259,481
Cash surrender value of life insurance	-	-	41,340	41,340
Accounts receivable - students	49,635	45,288	131,358	226,281
Pledges receivable	50,623	8,000	502,347	560,970
Other accounts receivable	454,670	211,431	261,967	928,068
Inventories of fuel, books and food	18,759	35,777	79,027	133,563
Prepaid expenses and other assets	10,122	43,869	14,761	68,752
Property and equipment, net of accumulated depreciation and amortization	4,520,740	2,387,261	2,388,525	9,296,526
Total assets	<u>\$ 5,823,287</u>	<u>\$ 5,669,277</u>	<u>\$ 8,022,417</u>	<u>\$ 19,514,981</u>
 <u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Loans payable	\$ 1,939,622	\$ 19,291	\$ 672,898	\$ 2,631,811
Capital lease obligation	3,941	-	-	3,941
Accounts payable and accrued expenses	101,455	57,636	294,494	453,585
Accrued salaries and benefits	415,319	1,629,230	1,777,934	3,822,483
Accrued sick pay	285,751	1,597,245	1,145,694	3,028,690
Deferred revenue - advance tuition and student fees	166,266	399,662	725,533	1,291,461
Total liabilities	<u>2,912,354</u>	<u>3,703,064</u>	<u>4,616,553</u>	<u>11,231,971</u>
Net assets:				
Unrestricted:				
Plant	2,577,177	2,367,970	1,715,626	6,660,773
Designated	26,044	307,315	412,186	745,545
Undesignated	(156,971)	(957,184)	629,030	(485,125)
Total unrestricted net assets	2,446,250	1,718,101	2,756,842	6,921,193
Temporarily restricted	329,683	248,112	639,022	1,216,817
Permanently restricted	135,000	-	10,000	145,000
Total net assets	<u>2,910,933</u>	<u>1,966,213</u>	<u>3,405,864</u>	<u>8,283,010</u>
Total liabilities and net assets	<u>\$ 5,823,287</u>	<u>\$ 5,669,277</u>	<u>\$ 8,022,417</u>	<u>\$ 19,514,981</u>

The accompanying notes to consolidating financial statements
are an integral part of these statements.

**DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Bishop McGann-Mercy</u>	<u>Holy Trinity</u>	<u>St. John The Baptist</u>	<u>Total</u>
CHANGE IN UNRESTRICTED NET ASSETS:				
Revenues:				
Tuition	\$ 3,104,024	\$ 11,028,865	\$ 12,119,893	\$ 26,252,782
Less: financial grants and scholarships	(224,566)	(117,920)	(418,194)	(760,680)
Net tuition	2,879,458	10,910,945	11,701,699	25,492,102
Bookstore and cafeteria sales	276,629	757,040	299,211	1,332,880
State Aid - Mandated Services	214,105	1,099,497	1,011,544	2,325,146
Donations, events and gifts	481,092	617,089	861,416	1,959,597
Athletic activities	14,478	133,744	253,268	401,490
Co-curricular activities	139,305	492,328	1,110,468	1,742,101
Contributed services	-	149,441	49,303	198,744
Rental income	63,672	359,314	291,760	714,746
Fee income	149,774	665,434	1,021,181	1,836,389
Investment income (loss)	35,552	(57,964)	86,946	64,534
Miscellaneous	4,605	90,756	15,308	110,669
Net assets released from restrictions	656,636	35,640	355,566	1,047,842
Total operating revenues	4,915,306	15,253,264	17,057,670	37,226,240
Expenses:				
Instructional expenses	2,108,996	7,671,634	7,115,525	16,896,155
Employee benefits	696,602	2,179,591	2,321,135	5,197,328
Administrative expenses	1,038,211	1,845,413	1,956,567	4,840,191
Rectory, convent and chapel	96,265	67,626	44,969	208,860
Bookstore, cafeteria and other	199,491	552,134	183,334	934,959
Athletic activities	343,964	948,368	1,087,635	2,379,967
Co-curricular activities	142,590	497,676	1,438,603	2,078,869
Depreciation and amortization expense	436,634	345,211	296,335	1,078,180
Operation and maintenance of plant	565,841	1,437,228	1,913,769	3,916,838
Other expenses	-	20,308	-	20,308
Total operating expenses	5,628,594	15,565,189	16,357,872	37,551,655
Excess (deficiency) of revenues over (under) expenses	(713,288)	(311,925)	699,798	(325,415)
Subsidies from Diocese of Rockville Centre:				
Operating subsidy	944,135	224,148	292,507	1,460,790
Mortgage subsidy	362,222	-	-	362,222
Total subsidies	1,306,357	224,148	292,507	1,823,012
Increase (decrease) in unrestricted net assets	593,069	(87,777)	992,305	1,497,597
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:				
Revenues	404,504	150,667	325,761	880,932
Net assets released from restrictions	(656,636)	(35,640)	(355,566)	(1,047,842)
Increase (decrease) in temporarily restricted net assets	(252,132)	115,027	(29,805)	(166,910)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS:				
Revenues	135,000	-	-	135,000
Increase in permanently restricted net assets	135,000	-	-	135,000
CHANGE IN NET ASSETS	475,937	27,250	962,500	1,465,687
NET ASSETS, BEGINNING OF YEAR	2,434,996	1,938,963	2,443,364	6,817,323
NET ASSETS, END OF YEAR	\$ 2,910,933	\$ 1,966,213	\$ 3,405,864	\$ 8,283,010

The accompanying notes to consolidating financial statements
are an integral part of these statements.

DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Bishop McGann-Mercy	Holy Trinity	St. John The Baptist	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 475,937	\$ 27,250	\$ 962,500	\$ 1,465,687
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization expense	436,634	345,211	296,335	1,078,180
Increase in cash surrender value of life insurance	-	-	(41,340)	(41,340)
(Increase) decrease in accounts receivable - students, net	(235)	(7,280)	2,199	(5,316)
(Increase) decrease in pledges receivable	(17,623)	(8,000)	72,153	46,530
(Increase) decrease in other accounts receivable	(329,796)	378,905	541,013	590,122
(Increase) decrease in inventories of fuel, books and food	(2,761)	5,759	22,330	25,328
(Increase) decrease in prepaid expenses and other assets	7,140	(16,709)	59,175	49,606
Increase (decrease) in accounts payable and accrued expenses	80,302	(129,303)	(333,244)	(382,245)
Increase in accrued salaries and benefits	86,969	122,029	7,007	216,005
Increase (decrease) in accrued sick pay	39,267	(58,600)	133,174	113,841
Increase in deferred revenue - advance tuition and student fees	12,452	17,820	60,363	90,635
Net cash provided by operating activities	<u>788,286</u>	<u>677,082</u>	<u>1,781,665</u>	<u>3,247,033</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property and equipment, net	<u>(907,392)</u>	<u>(106,539)</u>	<u>(657,131)</u>	<u>(1,671,062)</u>
Net cash used by investing activities	<u>(907,392)</u>	<u>(106,539)</u>	<u>(657,131)</u>	<u>(1,671,062)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Decrease in capital lease obligation	(5,860)	-	-	(5,860)
Decrease in loans payable	<u>(240,370)</u>	<u>(256)</u>	<u>(104,341)</u>	<u>(344,967)</u>
Net cash used by financing activities	<u>(246,230)</u>	<u>(256)</u>	<u>(104,341)</u>	<u>(350,827)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(365,336)	570,287	1,020,193	1,225,144
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,084,074</u>	<u>2,367,364</u>	<u>3,582,899</u>	<u>7,034,337</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 718,738</u>	<u>\$ 2,937,651</u>	<u>\$ 4,603,092</u>	<u>\$ 8,259,481</u>
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid during the year for interest	<u>\$ 126,606</u>	<u>\$ 1,073</u>	<u>\$ 60,490</u>	<u>\$ 188,169</u>

The accompanying notes to consolidating financial statements are an integral part of these statements.

DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2008

(1) **Nature of operations**

The Diocesan High Schools of the Diocese of Rockville Centre consist of Bishop McGann-Mercy Diocesan High School, Holy Trinity Diocesan High School and St. John the Baptist Diocesan High School (collectively, the "High Schools"), which were organized for the purpose of providing Catholic education at the secondary level. Bishop McGann-Mercy Diocesan High School also provides education at the middle school level. The High Schools receive significant operating and capital subsidies from the Current Operating Funds of the Administrative Offices of the Diocese of Rockville Centre (the "Administrative Offices"). Diocesan officials have informed the High Schools that their operations will continue to be subsidized by the Diocese of Rockville Centre at least through June 30, 2009.

(2) **Summary of significant accounting policies**

The accompanying financial statements include the assets, liabilities, revenues and expenses of the High Schools which are presented under the accrual basis of accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies followed by the High Schools:

Financial statement presentation -

The High Schools present their financial statements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, Financial Statements of Not-For-Profit Organizations. SFAS No. 117 requires that the High Schools' financial statements distinguish between unrestricted, temporarily restricted, and permanently restricted net assets and changes in net assets, depending on the existence and/or nature of any donor restrictions. The High Schools' net assets consist of the following:

Unrestricted - net assets of the High Schools that are not subject to donor imposed restrictions.

Temporarily restricted - net assets of the High Schools which have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the High Schools pursuant to those stipulations. Temporarily restricted revenue, whose restriction is satisfied within the same fiscal year as the receipt of funds, is recorded as unrestricted.

Permanently restricted - net assets of the High Schools which have been restricted by donors to be maintained in perpetuity by the High Schools.

As required by SFAS No. 117, the High Schools have also presented consolidating statements of cash flows for the year ended June 30, 2008.

Cash and cash equivalents -

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents and include money market funds held in banks or funds invested in the Diocesan administered investment vehicle.

The High Schools invest in Unitas Investment Fund, Inc. ("Unitas"), a separately incorporated, non-regulated investment fund organized by the Roman Catholic Diocese of Rockville Centre and operated exclusively for religious, charitable and educational purposes. As of June 30, 2008, the cost of the High Schools' investment in Unitas approximated market value. The High Schools had the following investment accounts in Unitas at June 30, 2008:

	<u>Bishop McGann-Mercy</u>	<u>Holy Trinity</u>	<u>St. John the Baptist</u>	<u>Total</u>
Sick pay account	\$ -	\$ 924,871	\$ 434,265	\$ 1,359,136
Capital/Operating*	566,635	-	-	566,635
General account	-	405,516	4,180	409,696
Development account	<u>-</u>	<u>28,516</u>	<u>-</u>	<u>28,516</u>
	<u>\$ 566,635</u>	<u>\$ 1,358,903</u>	<u>\$ 438,445</u>	<u>\$ 2,363,983</u>

*The Bishop McGann Mercy Diocesan High School Unitas account contains both capital campaign as well as general operating funds.

In addition, Holy Trinity Diocesan High School has money market investments with Smith Barney for their Scholarship funds. At June 30, 2008, these investments amounted to \$247,912.

St. John the Baptist Diocesan High School has an additional money market account for Sick pay. At June 30, 2008, this account balance was \$77,159.

Inventory -

Inventory is stated at the lower of cost or market and consists of fuel, books and food. Cost is determined by the first-in, first-out method. Materials and supplies used in normal operations are charged to expense as purchased.

Property and equipment -

Property and equipment are capitalized at cost or, if donated, at fair market value as of the date of receipt. Depreciation and amortization are computed by using the straight-line method over the estimated useful lives of the assets. The following represents the major classes of fixed assets as of June 30, 2008:

	Life (in years)	Bishop McGann-Mercy	Holy Trinity	St. John the Baptist	Total
Land	N/A	\$ 887,102	\$ 320,000	\$ 197,000	\$ 1,404,102
Land improvements	15	776,487	-	1,429,275	2,205,762
Construction-in-progress	N/A	-	-	223,852	223,852
Buildings	20-40	2,171,871	4,958,704	5,161,156	12,291,731
Building improvements	10-15	1,404,471	4,475,101	1,881,758	7,761,330
Library books	10	-	-	78,077	78,077
Furniture and equipment	5	507,672	1,397,974	1,033,564	2,939,210
Motor vehicles	5	<u>43,646</u>	<u>68,864</u>	<u>-</u>	<u>112,510</u>
		5,791,249	11,220,643	10,004,682	27,016,574
Less: accumulated depreciation and amortization		<u>1,270,509</u>	<u>8,833,382</u>	<u>7,616,157</u>	<u>17,720,048</u>
		<u>\$ 4,520,740</u>	<u>\$ 2,387,261</u>	<u>\$ 2,388,525</u>	<u>\$ 9,296,526</u>

Conditional asset retirement obligations -

The Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations. This interpretation requires entities to recognize a liability for the fair value of a legal obligation to perform an asset retirement activity, even though uncertainty exists about the timing and/or method of settlement, if and when the fair value of the liability can be reasonably estimated. The Diocese of Rockville Centre is accepting financial responsibility for any such asset retirement obligations pertaining to the High Schools.

Accounting for the impairment of long-lived assets -

The High Schools follow the provisions of Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

The provisions of this Statement did not have a material impact on the High Schools’ financial position, results of activities or liquidity during the year ended June 30, 2008.

Fair value of financial instruments -

Statement of Financial Accounting Standards No. 107, Disclosure about Fair Value of Financial Instruments, defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying value of all such instruments is deemed to approximate fair value because of their short-term nature.

Accrued salaries and benefits -

Accrued salaries and benefits represent the instructional faculty's summer pay for those instructors who opted to receive their salary over 24 pay periods for services rendered prior to June 30, 2008. Stipends for religious employees who perform instructional services are also included. Since the High Schools' administrators are required to work over the summer months, no accrual is made for administrators' summer pay.

Accrued sick pay -

Under a contractual agreement, the High Schools are obligated to pay one half of the accumulated sick pay (maximum accumulation of 135 days) at the then current salary level upon termination or resignation of teachers. Teachers who have accrued the maximum number of sick days are entitled to be paid for half of the unused sick days earned in the current year. Historically, lay administrators have received the same sick pay benefits as teachers.

Revenue recognition -

Revenues are generally recognized when earned and expenses are generally recognized when incurred.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at date of contribution.

Tuition -

Accounts receivable-students consist primarily of receivables for student tuition for the June 30, 2007/2008 school year. Accounts receivable-students and tuition income are shown net of tuition income reductions such as employee discounts, financial grants and scholarships in the accompanying financial statements.

Pledges receivable

Unconditional promises to give appear as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after recognizing a discount to reflect the net present value based on projected cash flows.

The balance of pledges receivable as of June 30, 2008 is as follows:

	Bishop McGann-Mercy	Holy Trinity	St. John the Baptist	Total
Less than one year	\$ 49,122	\$ 2,000	\$ 237,876	\$ 288,998
One to five years	<u>1,501</u>	<u>6,000</u>	<u>299,573</u>	<u>307,074</u>
Total pledges receivable	50,623	8,000	537,449	596,072
Less: discount	<u>-</u>	<u>-</u>	<u>(35,102)</u>	<u>(35,102)</u>
Present value	<u>\$ 50,623</u>	<u>\$ 8,000</u>	<u>\$ 502,347</u>	<u>\$ 560,970</u>

New pledges recorded in the 2007/2008 school year were discounted at a rate of 3.34%. Pledges receivable of \$320,380 are included in temporarily restricted net assets and \$240,590 are included in unrestricted net assets.

State aid - mandated services -

Mandated services revenue represents reimbursement to the High Schools from the State of New York for the costs of meeting state testing and recordkeeping requirements. The amount earned by the High Schools for the year ended June 30, 2008, represented claims filed in the 2007/2008 school year based on costs incurred in the 2006/2007 school year. For the 2007/2008 school year, each of the High Schools received an additional payment from the State of New York for the costs of maintaining period-by-period attendance records as required by the State. These additional funds are not guaranteed in the future years by the State.

Contributed services -

Contributed services of religious employees have been recognized in the accompanying financial statements. The computation of these services represents the difference between the compensation paid to religious employees and the comparable compensation which would be paid to lay persons if lay persons were to occupy these positions.

Tax-exempt status -

The High Schools are nonprofit religious institutions exempt from Federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of the New York State income tax law.

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the period. Actual results may differ from those estimates.

Reclassifications -

Certain reclassifications of prior year balances have been made to conform to the current year presentation.

(3) Purchase of land and building

In January 2006, Bishop McGann-Mercy Diocesan High School acquired land and the building in which it operates from the Sisters of Mercy for a purchase price of \$3,760,000. The purchase price was satisfied by a down payment of \$500,000 and a loan payable to the Sisters of Mercy in the amount of \$3,260,000. The loan is non-interest bearing and payable over a period of nine years. Accordingly, the loan was discounted to a present value of \$2,437,140, based on an incremental borrowing rate of 6.25%. The resulting cost of the land and building was determined to be \$3,058,974, based on the down payment, present value of the loan payable and closing costs of \$121,834. Of the total cost, \$887,102 was allocated to land and \$2,171,872 was allocated to the building.

(4) Loans payable

In connection with the acquisition of its land and building, Bishop McGann-Mercy Diocesan High School incurred a loan obligation to the Sisters of Mercy with an original principal amount of \$3,260,000. The loan is non-interest bearing and payable over a period of nine years. Maturities of this loan payable, net of discount (at a rate of 6.25%) are as follows:

<u>Year ending June 30,</u>	
2009	\$ 362,222
2010	362,222
2011	362,222
2012	362,222
2013	362,222
2014 and thereafter	<u>849,710</u>
	2,660,816
Less: discount	<u>731,432</u>
Present value	<u>\$ 1,929,388</u>

In May 2007, Bishop McGann-Mercy Diocesan High School entered into a loan obligation for a school bus with an original principal amount of \$43,646. Maturities of this loan payable are as follows:

Year ending June 30,

2009	\$ 3,412
2010	3,412
2011	<u>3,410</u>
	<u>\$ 10,234</u>

In July 2006, Holy Trinity Diocesan High School entered into a loan obligation for a truck with an original principal amount of \$29,995. Maturities of this loan payable are as follows:

Year ending June 30,

2009	\$ 6,516
2010	<u>6,515</u>
	<u>\$ 13,031</u>

In August 2006, Holy Trinity Diocesan High School purchased a bus at the end of the lease term with a principal amount of \$14,475. Maturities of this loan payable are as follows:

Year ending June 30,

2009	\$ <u>648</u>
	<u>\$ 648</u>

In April 2007, Holy Trinity Diocesan High School purchased a bus at the end of the lease term with a principal amount of \$14,327. Maturities of this loan payable are as follows:

Year ending June 30,

2009	\$ <u>5,612</u>
	<u>\$ 5,612</u>

In connection with the renovation of its athletic field, St. John the Baptist Diocesan High School incurred a loan obligation to a company with an original principal amount of \$975,000. The loan is payable over a period of eight years and bears interest at a rate of 8.285% per annum. Maturities of this loan payable are as follows:

<u>Year ending June 30,</u>	
2009	\$ 113,321
2010	123,074
2011	133,667
2012	145,171
2013	<u>157,665</u>
	<u>\$ 672,898</u>

(5) **Capital lease obligations**

In February 2004, Bishop McGann-Mercy Diocesan High School entered into a capital lease agreement for door monitors and security cameras with an original principal amount of \$28,108. The lease requires monthly principal and interest (at a rate of 9.8%) payments of \$582 through February 2009. Future principal payments on this capital lease at June 30, 2008 are as follows:

<u>Year ending June 30,</u>	
2009	\$ <u>3,941</u>
	<u>\$ 3,941</u>

(6) **Classification of net assets**

In accordance with SFAS No. 117, the High Schools have presented net assets in the accompanying financial statements according to the type of donor restriction or absence thereof. Temporarily restricted net assets as of June 30, 2008 are invested in cash and cash equivalents.

St. John the Baptist Diocesan High School has \$10,000 in permanently restricted net assets that generate a source of income to provide scholarships to certain students. During 2008, Bishop McGann-Mercy Diocesan High School received an endowment in the amount of \$135,000 which permanently restricts the principal. The revenue generated from these funds is unrestricted and can be used to fund general school operations.

The Schools have temporarily restricted net assets for the following purposes and amounts:

	<u>Bishop McGann-Mercy</u>	<u>Holy Trinity</u>	<u>St. John the Baptist</u>	<u>Total</u>
Scholarships	\$ 4,057	\$ 248,112	\$ 111,004	\$ 363,173
Capital projects*	<u>325,626</u>	<u>-</u>	<u>528,018</u>	<u>853,644</u>
	<u>\$ 329,683</u>	<u>\$ 248,112</u>	<u>\$ 639,022</u>	<u>\$ 1,216,817</u>

*Included in temporarily restricted net assets of St. John the Baptist and Bishop McGann-Mercy are \$366,613 of pledges receivable.

During the year ended June 30, 2008, \$211,800 in scholarships was released from temporarily restricted net assets collectively from the three Diocesan High Schools.

(7) **Unrestricted net assets - designated**

The Schools have designated net assets for the following purposes and amounts:

	<u>Bishop McGann-Mercy</u>	<u>Holy Trinity</u>	<u>St. John the Baptist</u>	<u>Total</u>
Athletics and co-curricular	\$ 26,044	\$ 1,159	\$ 193,020	\$ 220,223
Capital projects	<u>-</u>	<u>306,156</u>	<u>219,166</u>	<u>525,322</u>
	<u>\$ 26,044</u>	<u>\$ 307,315</u>	<u>\$ 412,186</u>	<u>\$ 745,545</u>

(8) **Incentive retirement expense**

Under a contractual agreement, teachers meeting certain eligibility requirements were granted the option to retire at the end of the school year, receiving one year annual base salary (up to \$75,000) payable over a three year period beginning January following the year of retirement. During fiscal year ended June 30, 2008, \$290,731 was paid in retirement incentives.

(9) **Lease agreement with Catholic Charities**

In August 1992, Holy Trinity Diocesan High School (“Holy Trinity”) entered into an agreement with Catholic Charities of the Diocese of Rockville Centre (“Catholic Charities”) to lease a portion of its facilities to Catholic Charities for a five-year period which commenced in September 1992 and terminated in August 1997. At the option of Catholic Charities, the lease has a provision to extend beyond the original term for up to fifteen years, in five-year increments, and is subject to various other conditions which must be met by each party. This agreement expired on August 31, 2007. In December 2007, this agreement was renegotiated and extended for a five-year term retroactive to September 2007 and ending in August 2012. At the option of Catholic Charities, the lease has a provision for an additional five-year extension through August 2017. Rental income was \$214,419 for the year ended June 30, 2008.

(10) **Pension and retirement plans**

The High Schools are participants in the noncontributory lay pension plan established by the Diocese of Rockville Centre covering employees who meet certain minimum service requirements. The High Schools also participate in a noncontributory retirement plan for clergy. Due to the nature of the plans, it is not practicable to determine the extent to which the assets of the plans cover the actuarially computed value of vested benefits for the High Schools on a stand-alone basis.

In addition, because the plans are considered multi-employer plans, they are not subject to the reporting requirements of SFAS No. 87, Employers’ Accounting for Pensions, as amended by SFAS No. 158, Employers’ Disclosures about Pensions and Other Postretirement Benefits. Pension expense allocated to the High Schools for the year ended June 30, 2008 was \$1,265,409 for the noncontributory lay pension plan and \$28,644 for the noncontributory retirement plan for clergy.

(11) **Commitments and contingencies**

The High Schools are obligated under various operating leases for equipment. Future minimum lease payments for all non-cancellable operating leases at June 30, 2008 are as follows:

<u>Year-ending June 30,</u>	<u>Bishop McGann-Mercy</u>	<u>Holy Trinity</u>	<u>St. John the Baptist</u>	<u>Total</u>
2009	\$ 11,592	\$ 148,950	\$ 75,961	\$ 236,503
2010	11,592	104,432	46,214	162,238
2011	11,592	2,693	13,310	27,595
2012	<u>7,728</u>	<u>-</u>	<u>-</u>	<u>7,728</u>
	<u>\$ 42,504</u>	<u>\$ 256,075</u>	<u>\$ 135,485</u>	<u>\$ 434,064</u>

(12) Cash surrender value of life insurance

St. John the Baptist Diocesan High School received planned giving donations of whole-life insurance policies. The donors are continuing to pay the premiums on the policies and have named St. John the Baptist as the sole beneficiary on the policies. At June 30, 2008, the cash surrender value of these life insurance policies was \$41,340.

(13) Concentration of credit risk

The High Schools maintain cash in accounts with major banking institutions. During the fiscal year ended June 30, 2008, the Diocesan High Schools of the Diocese of Rockville Centre have maintained cash balances in excess of \$100,000 in their respective banking institutions. Management believes that the High Schools have no significant risk of loss on these accounts relating to the failure of the banking institutions and believe they mitigate their risk by investing in or through major financial institutions.

(14) Subsequent events

In July 2008, Holy Trinity Diocesan High School entered into negotiations with the Knights of Columbus for a loan to finance certain capital improvements. In addition, Holy Trinity entered into a capital lease for computer equipment with a principal amount of \$158,368.

St. John the Baptist Diocesan High School has also entered into negotiations to refinance its loan payable and obtain a line of credit.

BISHOP MCGANN-MERCY DIOCESAN HIGH SCHOOL
OF THE DIOCESE OF ROCKVILLE CENTRE
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition	\$ 3,104,024	\$ 2,683,959
Less: financial grants and scholarships	(224,566)	(231,866)
Net tuition	2,879,458	2,452,093
Bookstore and cafeteria sales	276,629	261,727
State Aid - Mandated Services	214,105	126,156
Donations, events and gifts	481,092	441,969
Athletic activities	14,478	10,807
Co-curricular activities	139,305	153,270
Contributed services	-	30,754
Rental income	63,672	73,610
Fee income	149,774	137,252
Investment income	35,552	687
Miscellaneous	4,605	5,225
Net assets released from restrictions	656,636	253,137
Total operating revenues	<u>4,915,306</u>	<u>3,946,687</u>
Expenses:		
Instructional expenses	2,108,996	1,748,922
Employee benefits	696,602	721,314
Administrative expenses	1,038,211	886,970
Rectory, convent and chapel	96,265	145,313
Bookstore, cafeteria and other	199,491	201,795
Athletic activities	343,964	258,379
Co-curricular activities	142,590	172,356
Depreciation and amortization expense	436,634	344,049
Operation and maintenance of plant	565,841	532,133
Total operating expenses	<u>5,628,594</u>	<u>5,011,231</u>
Deficiency of revenues under expenses	<u>(713,288)</u>	<u>(1,064,544)</u>
Subsidies and special grant from Diocese of Rockville Centre:		
Operating subsidy	944,135	1,045,541
Mortgage subsidy	362,222	362,222
Capital subsidy	-	53,000
Diocesan 50th Anniversary Grant	-	57,746
Total subsidies and special grant	<u>1,306,357</u>	<u>1,518,509</u>
Increase in unrestricted net assets	<u>593,069</u>	<u>453,965</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues	404,504	246,731
Net assets released from restrictions	(656,636)	(253,137)
Decrease in temporarily restricted net assets	<u>(252,132)</u>	<u>(6,406)</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS:		
Revenues	135,000	-
Increase in permanently restricted net assets	<u>135,000</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>475,937</u>	<u>447,559</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,434,996</u>	<u>1,987,437</u>
NET ASSETS, END OF YEAR	<u>\$ 2,910,933</u>	<u>\$ 2,434,996</u>

The accompanying notes to consolidating financial statements
should be read in conjunction with these statements.

HOLY TRINITY DIOCESAN HIGH SCHOOL
OF THE DIOCESE OF ROCKVILLE CENTRE
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition	\$ 11,028,865	\$ 11,049,698
Less: financial grants and scholarships	(117,920)	(109,304)
Net tuition	10,910,945	10,940,394
Bookstore and cafeteria sales	757,040	742,961
State Aid - Mandated Services	1,099,497	646,783
Donations, events and gifts	617,089	618,628
Athletic activities	133,744	18,449
Co-curricular activities	492,328	552,847
Contributed services	149,441	193,433
Rental income	359,314	283,795
Fee income	665,434	542,720
Investment income (loss)	(57,964)	98,125
Miscellaneous	90,756	28,020
Net assets released from restrictions	35,640	312,912
Total operating revenues	<u>15,253,264</u>	<u>14,979,067</u>
Expenses:		
Instructional expenses	7,671,634	7,608,029
Employee benefits	2,179,591	2,096,127
Administrative expenses	1,845,413	1,574,483
Rectory, convent and chapel	67,626	43,609
Bookstore, cafeteria and other	552,134	515,007
Athletic activities	948,368	879,095
Co-curricular activities	497,676	503,530
Depreciation and amortization expense	345,211	448,739
Operation and maintenance of plant	1,437,228	1,382,389
Other expenses	20,308	19,646
Total operating expenses	<u>15,565,189</u>	<u>15,070,654</u>
Deficiency of revenues under expenses	<u>(311,925)</u>	<u>(91,587)</u>
Subsidies and special grant from Diocese of Rockville Centre:		
Operating subsidy	224,148	287,000
Capital subsidy	-	331,488
Diocesan 50th Anniversary Grant	-	197,457
Total subsidies and special grant	<u>224,148</u>	<u>815,945</u>
Increase (decrease) in unrestricted net assets	<u>(87,777)</u>	<u>724,358</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues	150,667	42,247
Net assets released from restrictions	(35,640)	(312,912)
Increase (decrease) in temporarily restricted net assets	<u>115,027</u>	<u>(270,665)</u>
CHANGE IN NET ASSETS	27,250	453,693
NET ASSETS, BEGINNING OF YEAR	<u>1,938,963</u>	<u>1,485,270</u>
NET ASSETS, END OF YEAR	<u>\$ 1,966,213</u>	<u>\$ 1,938,963</u>

The accompanying notes to consolidating financial statements
should be read in conjunction with these statements.

ST. JOHN THE BAPTIST DIOCESAN HIGH SCHOOL
OF THE DIOCESE OF ROCKVILLE CENTRE
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition	\$ 12,119,893	\$ 11,291,927
Less: financial grants and scholarships	<u>(418,194)</u>	<u>(333,767)</u>
Net tuition	11,701,699	10,958,160
Bookstore and cafeteria sales	299,211	232,605
State Aid - Mandated Services	1,011,544	496,870
Donations, events and gifts	861,416	892,777
Athletic activities	253,268	166,068
Co-curricular activities	1,110,468	914,509
Contributed services	49,303	105,926
Rental income	291,760	145,711
Fee income	1,021,181	667,711
Investment income	86,946	198,460
Miscellaneous	15,308	1,963
Net assets released from restrictions	<u>355,566</u>	<u>97,444</u>
Total operating revenues	<u>17,057,670</u>	<u>14,878,204</u>
Expenses:		
Instructional expenses	7,115,525	7,109,222
Employee benefits	2,321,135	2,235,333
Administrative expenses	1,956,567	1,839,729
Rectory, convent and chapel	44,969	40,792
Bookstore, cafeteria and other	183,334	144,719
Athletic activities	1,087,635	953,249
Co-curricular activities	1,438,603	1,091,514
Depreciation and amortization expense	296,335	404,027
Operation and maintenance of plant	<u>1,913,769</u>	<u>1,695,520</u>
Total operating expenses	<u>16,357,872</u>	<u>15,514,105</u>
Excess (deficiency) of revenues over (under) expenses	<u>699,798</u>	<u>(635,901)</u>
Subsidies and special grant from Diocese of Rockville Centre:		
Operating subsidy	292,507	407,323
Capital subsidy	-	180,535
Diocesan 50th Anniversary Grant	<u>-</u>	<u>231,523</u>
Total subsidies and special grant	<u>292,507</u>	<u>819,381</u>
Increase in unrestricted net assets	<u>992,305</u>	<u>183,480</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues	325,761	639,459
Net assets released from restrictions	<u>(355,566)</u>	<u>(97,444)</u>
Increase (decrease) in temporarily restricted net assets	<u>(29,805)</u>	<u>542,015</u>
CHANGE IN NET ASSETS	962,500	725,495
NET ASSETS, BEGINNING OF YEAR	<u>2,443,364</u>	<u>1,717,869</u>
NET ASSETS, END OF YEAR	<u>\$ 3,405,864</u>	<u>\$ 2,443,364</u>

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