

DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
FINANCIAL STATEMENTS
AS OF JUNE 30, 2009
TOGETHER WITH
AUDITORS' REPORT

DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
FINANCIAL STATEMENTS
AS OF JUNE 30, 2009

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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, 2009 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, 2009 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, 2009 and 2008 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 31, 2009

Nawrocki Smith LLP

DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2009

<u>ASSETS</u>	Bishop McGann-Mercy	Holy Trinity	St. John The Baptist	Total
Cash	\$ 357,094	\$ 800,510	\$ 5,244,559	\$ 6,402,163
Cash investments	572,855	3,024,964	-	3,597,819
Cash and cash equivalents	929,949	3,825,474	5,244,559	9,999,982
Cash surrender value of life insurance	-	-	36,114	36,114
Accounts receivable - students	131,910	77,317	163,816	373,043
Pledges receivable	149,682	18,500	417,915	586,097
Other accounts receivable	25,375	2,225	9,724	37,324
Inventories of fuel, books and food	29,476	36,150	91,737	157,363
Prepaid expenses and other assets	14,991	52,409	10,651	78,051
Property and equipment, net of accumulated depreciation and amortization	4,351,531	2,788,494	3,120,227	10,260,252
Total assets	\$ 5,632,914	\$ 6,800,569	\$ 9,094,743	\$ 21,528,226
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Loans payable	\$ 1,684,441	\$ 379,453	\$ 407,998	\$ 2,471,892
Accounts payable and accrued expenses	94,019	357,226	783,584	1,234,829
Accrued salaries and benefits	419,076	1,503,715	1,907,850	3,830,641
Accrued sick pay	402,316	1,674,331	1,274,421	3,351,068
Deferred revenue - advance tuition and student fees	194,180	397,536	799,373	1,391,089
Total liabilities	2,794,032	4,312,261	5,173,226	12,279,519
Net assets:				
Unrestricted:				
Plant	2,667,090	2,409,041	2,712,229	7,788,360
Designated	11,543	23,246	489,440	524,229
Undesignated	(280,438)	(244,905)	514,493	(10,850)
Total unrestricted net assets	2,398,195	2,187,382	3,716,162	8,301,739
Temporarily restricted	440,687	300,926	195,355	936,968
Permanently restricted	-	-	10,000	10,000
Total net assets	2,838,882	2,488,308	3,921,517	9,248,707
Total liabilities and net assets	\$ 5,632,914	\$ 6,800,569	\$ 9,094,743	\$ 21,528,226

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, 2009**

	Bishop McGann-Mercy	Holy Trinity	St. John The Baptist	Total
CHANGE IN UNRESTRICTED NET ASSETS:				
Revenues:				
Tuition	\$ 3,218,711	\$ 10,953,301	\$ 12,713,730	\$ 26,885,742
Less: financial grants and scholarships	(171,656)	(169,972)	(555,834)	(897,462)
Net tuition	3,047,055	10,783,329	12,157,896	25,988,280
Bookstore and cafeteria sales	235,639	687,144	363,487	1,286,270
State Aid - Mandated Services	301,371	1,028,049	968,961	2,298,381
Donations, events and gifts	442,110	517,935	761,865	1,721,910
Athletic activities	47,883	148,491	265,208	461,582
Co-curricular activities	104,744	525,172	954,149	1,584,065
Contributed services	-	37,958	62,692	100,650
Rental income	62,636	387,446	426,808	876,890
Fee income	177,384	658,032	1,212,798	2,048,214
Investment income (loss)	(13,890)	28,979	32,460	47,549
Miscellaneous	14,705	64,680	9,320	88,705
Net assets released from restrictions	354,657	95,292	706,437	1,156,386
Total operating revenues	4,774,294	14,962,507	17,922,081	37,658,882
Expenses:				
Instructional expenses	2,276,981	7,102,310	7,643,127	17,022,418
Employee benefits	907,720	2,345,230	2,736,216	5,989,166
Administrative expenses	794,200	1,247,592	1,359,312	3,401,104
Development costs	275,677	246,395	623,198	1,145,270
Rectory, convent and chapel	36,441	18,873	5,245	60,559
Bookstore, cafeteria and other	197,821	532,943	232,818	963,582
Athletic activities	384,655	1,058,753	1,407,558	2,850,966
Co-curricular activities	83,358	511,368	925,990	1,520,716
Depreciation and amortization expense	354,235	375,158	372,299	1,101,692
Operation and maintenance of plant	623,483	1,454,604	2,056,996	4,135,083
Total operating expenses	5,934,571	14,893,226	17,362,759	38,190,556
Excess (deficiency) of revenues over (under) expenses	(1,160,277)	69,281	559,322	(531,674)
Subsidies from Diocese of Rockville Centre:				
Operating subsidy	750,000	400,000	400,000	1,550,000
Mortgage subsidy	362,222	-	-	362,222
Total subsidies	1,112,222	400,000	400,000	1,912,222
Increase (decrease) in unrestricted net assets	(48,055)	469,281	959,322	1,380,548
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:				
Revenues	357,660	148,106	262,768	768,534
Net assets released from restrictions	(246,656)	(95,292)	(706,437)	(1,048,385)
Increase (decrease) in temporarily restricted net assets	111,004	52,814	(443,669)	(279,851)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS:				
Income (loss)	(26,999)	-	-	(26,999)
Net assets released from restrictions	(108,001)	-	-	(108,001)
Decrease in permanently restricted net assets	(135,000)	-	-	(135,000)
CHANGE IN NET ASSETS	(72,051)	522,095	515,653	965,697
NET ASSETS, BEGINNING OF YEAR	2,910,933	1,966,213	3,405,864	8,283,010
NET ASSETS, END OF YEAR	\$ 2,838,882	\$ 2,488,308	\$ 3,921,517	\$ 9,248,707

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, 2009**

	<u>Bishop McGann-Mercy</u>	<u>Holy Trinity</u>	<u>St. John The Baptist</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ (72,051)	\$ 522,095	\$ 515,653	\$ 965,697
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization expense	354,235	375,158	372,299	1,101,692
Decrease in cash surrender value of life insurance	-	-	5,226	5,226
Increase in accounts receivable - students, net	(82,275)	(32,029)	(32,458)	(146,762)
(Increase) decrease in pledges receivable	(99,059)	(10,500)	84,432	(25,127)
Decrease in other accounts receivable	429,295	209,206	252,243	890,744
Increase in inventories of fuel, books and food	(10,717)	(373)	(12,710)	(23,800)
(Increase) decrease in prepaid expenses and other assets	(4,869)	(8,540)	4,110	(9,299)
Increase (decrease) in accounts payable and accrued expenses	(7,436)	299,592	489,090	781,246
Increase (decrease) in accrued salaries and benefits	3,757	(125,515)	129,916	8,158
Increase in accrued sick pay	116,565	77,086	128,727	322,378
Increase (decrease) in deferred revenue - advance tuition and student fees	27,914	(2,126)	73,840	99,628
Net cash provided by operating activities	<u>655,359</u>	<u>1,304,054</u>	<u>2,010,368</u>	<u>3,969,781</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property and equipment, net	(185,026)	(776,393)	(1,104,001)	(2,065,420)
Net cash used by investing activities	<u>(185,026)</u>	<u>(776,393)</u>	<u>(1,104,001)</u>	<u>(2,065,420)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Decrease in capital lease obligation	(3,941)	-	-	(3,941)
Increase (decrease) in loans payable	(255,181)	360,162	(264,900)	(159,919)
Net cash provided (used) by financing activities	<u>(259,122)</u>	<u>360,162</u>	<u>(264,900)</u>	<u>(163,860)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	211,211	887,823	641,467	1,740,501
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>718,738</u>	<u>2,937,651</u>	<u>4,603,092</u>	<u>8,259,481</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 929,949</u>	<u>\$ 3,825,474</u>	<u>\$ 5,244,559</u>	<u>\$ 9,999,982</u>
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid during the year for interest	<u>\$ 111,254</u>	<u>\$ 22,827</u>	<u>\$ 40,110</u>	<u>\$ 174,191</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, 2009

(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, 2010.

(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, 2009.

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, 2009, 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, 2009:

	<u>Bishop McGann-Mercy</u>	<u>Holy Trinity</u>	<u>St. John the Baptist</u>	<u>Total</u>
Sick pay account	\$ -	\$ 934,612	\$ -	\$ 934,612
Capital/Operating*	572,855	-	-	572,855
General account	-	<u>820,459</u>	-	<u>820,459</u>
	<u>\$ 572,855</u>	<u>\$ 1,755,071</u>	<u>\$ -</u>	<u>\$ 2,327,926</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 and Operating funds. At June 30, 2009, these investments amounted to \$1,269,893.

St. John the Baptist Diocesan High School has a money market account for sick pay. At June 30, 2009, this account balance was \$669,912.

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, 2009:

	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	887,440	518,476	2,504,121	3,910,037
Buildings	20-40	2,171,871	4,958,704	5,161,156	12,291,731
Building improvements	10-15	1,426,269	4,475,101	2,062,991	7,964,361
Library books	10	-	-	78,077	78,077
Furniture and equipment	5	544,512	1,589,257	1,098,113	3,231,882
Motor vehicles	5	59,081	135,500	7,225	201,806
		5,976,275	11,997,038	11,108,683	29,081,996
Less: accumulated depreciation and amortization		1,624,744	9,208,544	7,988,456	18,821,744
		<u>\$ 4,351,531</u>	<u>\$ 2,788,494</u>	<u>\$ 3,120,227</u>	<u>\$ 10,260,252</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, 2009.

Fair value of financial instruments -

Accounting principles generally accepted in the United States of America define the fair value of a financial instrument 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. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

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, 2009. 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, 2008/2009 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, 2009 is as follows:

	<u>Bishop McGann-Mercy</u>	<u>Holy Trinity</u>	<u>St. John the Baptist</u>	<u>Total</u>
Less than one year	\$ 104,604	\$ 14,500	\$ 174,565	\$ 293,669
One to five years	<u>50,750</u>	<u>4,000</u>	<u>265,367</u>	<u>320,117</u>
Total pledges receivable	155,354	18,500	439,932	613,786
Less: discount	<u>(5,672)</u>	<u>-</u>	<u>(22,017)</u>	<u>(27,689)</u>
Present value	<u>\$ 149,682</u>	<u>\$ 18,500</u>	<u>\$ 417,915</u>	<u>\$ 586,097</u>

New pledges recorded in the 2008/2009 school year were discounted at a rate of 2.54%. Pledges receivable of \$300,351 are included in temporarily restricted net assets and \$285,746 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, 2009, represented claims filed in the 2008/2009 school year based on costs incurred in the 2007/2008 school year. For the 2008/2009 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 \$3,058,973, 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 \$2,171,871 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>	
2010	\$ 362,222
2011	362,222
2012	362,222
2013	362,222
2014	362,222
2015 and thereafter	<u>487,484</u>
	2,298,594
Less: discount	<u>620,975</u>
Present value	<u>\$ 1,677,619</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,

2010	\$ 3,412
2011	<u>3,410</u>
	<u>\$ 6,822</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,

2010	\$ <u>6,516</u>
	<u>\$ 6,516</u>

In July 2008, Holy Trinity Diocesan High School entered into a loan obligation for computers with a principal amount of \$158,368. The loan is payable over a period of four years and bears interest at a rate of 8.69%. Maturities of this loan payable are as follows:

Year ending June 30,

2010	\$ 37,737
2011	41,151
2012	<u>44,875</u>
	<u>\$ 123,763</u>

In October 2008, Holy Trinity Diocesan High School purchased four buses under a financing arrangement with a principal amount of \$66,636. The loan is payable over a period of three years and bears interest at a rate of 7.248%. Maturities of this loan payable are as follows:

Year ending June 30,

2010	\$ 33,700
2011	<u>8,811</u>
	<u>\$ 42,511</u>

In connection with the renovation of its athletic field, Holy Trinity Diocesan High School incurred a loan obligation on November 1, 2008 to the Knights of Columbus with an original principal amount of \$235,000. The loan is payable over a period of five years and bears interest at a rate of 4.55% per annum. Maturities of this loan payable are as follows:

Year ending June 30,

2010	\$ 44,147
2011	46,198
2012	48,345
2013	50,591
2014	<u>17,382</u>
	<u>\$ 206,663</u>

In connection with the renovation of its athletic field, St. John the Baptist Diocesan High School incurred a loan obligation in August 2005 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. In September 2008, this loan was refinanced with a bank for five years with a principal amount of \$470,000 at a rate of 5.85%. Maturities of this loan payable are as follows:

Year ending June 30,

2010	\$ 86,989
2011	92,291
2012	97,889
2013	103,883
2014	<u>26,946</u>
	<u>\$ 407,998</u>

In addition to the loan refinancing, St. John the Baptist Diocesan High School has been approved for a revolving line of credit at this same banking institution. As of June 30, 2009, this line has not been accessed.

(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. All capital lease payments were satisfied during fiscal year ended June 30, 2009.

(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 restricted the principal. The revenue generated from these funds was unrestricted and could be used to fund general school operations. During 2009, the donor released all restrictions on these funds thus making them available for general 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	\$ 53,573	\$ 300,926	\$ 127,165	\$ 481,664
Capital projects	<u>387,114</u>	<u>-</u>	<u>68,190</u>	<u>455,304</u>
	<u>\$ 440,687</u>	<u>\$ 300,926</u>	<u>\$ 195,355</u>	<u>\$ 936,968</u>

Included in temporarily restricted net assets of the three schools are \$300,351 of pledges receivable.

During the year ended June 30, 2009, \$240,061 in scholarships were 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	\$ 11,543	\$ 100	\$ 236,034	\$ 247,677
Capital projects	<u>-</u>	<u>23,146</u>	<u>253,406</u>	<u>276,552</u>
	<u>\$ 11,543</u>	<u>\$ 23,246</u>	<u>\$ 489,440</u>	<u>\$ 524,229</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, 2009, \$223,031 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 \$225,976 for the year ended June 30, 2009.

(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, 2009 was \$1,233,837 for the noncontributory lay pension plan and \$18,810 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, 2009 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>
2010	\$ 14,520	\$ 132,549	\$ 50,318	\$ 197,387
2011	14,520	42,240	17,414	74,174
2012	9,436	19,571	3,464	32,471
2013	-	11,208	2,184	13,392
2014	-	8,406	2,184	10,590
	<u>\$ 38,476</u>	<u>\$ 213,974</u>	<u>\$ 75,564</u>	<u>\$ 328,014</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, 2009, the cash surrender value of these life insurance policies was \$36,114.

(13) **Concentration of credit risk**

The High Schools maintain cash in accounts with major banking institutions. During the fiscal year ended June 30, 2009, 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) **Functional classification**

The following table presents expenses on a functional basis:

	<u>Bishop McGann-Mercy</u>	<u>Holy Trinity</u>	<u>St. John the Baptist</u>	<u>Total</u>
Instructional	\$ 3,562,774	\$10,323,266	\$11,677,898	\$25,563,938
Athletic	522,086	1,334,922	1,633,442	3,490,450
Co-curricular	94,878	624,346	1,157,908	1,877,132
Ancillary	<u>248,752</u>	<u>612,446</u>	<u>279,390</u>	<u>1,140,588</u>
Total programs	4,428,490	12,894,980	14,748,638	32,072,108
General and administrative	1,156,435	1,710,008	1,933,577	4,800,020
Development	<u>349,646</u>	<u>288,238</u>	<u>680,544</u>	<u>1,318,428</u>
Total expenses	<u>\$ 5,934,571</u>	<u>\$14,893,226</u>	<u>\$17,362,759</u>	<u>\$38,190,556</u>

(15) **Subsequent events**

In July 2009, St. John the Baptist Diocesan High School entered into a capital lease for computer equipment with a principal amount of \$53,910.

In August 2009, Holy Trinity Diocesan High School began negotiating for the purchase of computer equipment for one of their computer labs. The terms of this agreement have not yet been finalized.

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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition	\$ 3,218,711	\$ 3,104,024
Less: financial grants and scholarships	<u>(171,656)</u>	<u>(224,566)</u>
Net tuition	3,047,055	2,879,458
Bookstore and cafeteria sales	235,639	276,629
State Aid - Mandated Services	301,371	214,105
Donations, events and gifts	442,110	481,092
Athletic activities	47,883	14,478
Co-curricular activities	104,744	139,305
Rental income	62,636	63,672
Fee income	177,384	149,774
Investment income (loss)	(13,890)	35,552
Miscellaneous	14,705	4,605
Net assets released from restrictions	<u>354,657</u>	<u>656,636</u>
Total operating revenues	<u>4,774,294</u>	<u>4,915,306</u>
Expenses:		
Instructional expenses	2,276,981	2,177,981
Employee benefits	907,720	735,867
Administrative expenses	794,200	798,220
Development costs	275,677	247,633
Rectory, convent and chapel	36,441	42,173
Bookstore, cafeteria and other	197,821	199,491
Athletic activities	384,655	344,158
Co-curricular activities	83,358	106,161
Depreciation and amortization expense	354,235	436,634
Operation and maintenance of plant	<u>623,483</u>	<u>540,276</u>
Total operating expenses	<u>5,934,571</u>	<u>5,628,594</u>
Deficiency of revenues under expenses	<u>(1,160,277)</u>	<u>(713,288)</u>
Subsidies from Diocese of Rockville Centre:		
Operating subsidy	750,000	944,135
Mortgage subsidy	<u>362,222</u>	<u>362,222</u>
Total subsidies	<u>1,112,222</u>	<u>1,306,357</u>
Increase (decrease) in unrestricted net assets	<u>(48,055)</u>	<u>593,069</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues	357,660	404,504
Net assets released from restrictions	<u>(246,656)</u>	<u>(656,636)</u>
Increase (decrease) in temporarily restricted net assets	<u>111,004</u>	<u>(252,132)</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS:		
Income (loss)	(26,999)	135,000
Net assets released from restrictions	<u>(108,001)</u>	<u>-</u>
Increase (decrease) in permanently restricted net assets	<u>(135,000)</u>	<u>135,000</u>
CHANGE IN NET ASSETS	<u>(72,051)</u>	<u>475,937</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,910,933</u>	<u>2,434,996</u>
NET ASSETS, END OF YEAR	<u>\$ 2,838,882</u>	<u>\$ 2,910,933</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition	\$ 10,953,301	\$ 11,028,865
Less: financial grants and scholarships	(169,972)	(117,920)
Net tuition	10,783,329	10,910,945
Bookstore and cafeteria sales	687,144	757,040
State Aid - Mandated Services	1,028,049	1,099,497
Donations, events and gifts	517,935	617,089
Athletic activities	148,491	133,744
Co-curricular activities	525,172	492,328
Contributed services	37,958	149,441
Rental income	387,446	359,314
Fee income	658,032	665,434
Investment income (loss)	28,979	(57,964)
Miscellaneous	64,680	90,756
Net assets released from restrictions	95,292	35,640
Total operating revenues	<u>14,962,507</u>	<u>15,253,264</u>
Expenses:		
Instructional expenses	7,102,310	7,733,944
Employee benefits	2,345,230	2,245,800
Administrative expenses	1,247,592	1,294,256
Development costs	246,395	300,743
Rectory, convent and chapel	18,873	19,893
Bookstore, cafeteria and other	532,943	552,134
Athletic activities	1,058,753	1,061,699
Co-curricular activities	511,368	527,041
Depreciation and amortization expense	375,158	345,211
Operation and maintenance of plant	1,454,604	1,484,468
Total operating expenses	<u>14,893,226</u>	<u>15,565,189</u>
Excess (deficiency) of revenues over (under) expenses	69,281	(311,925)
Subsidies from Diocese of Rockville Centre:		
Operating subsidy	400,000	224,148
Total subsidies	<u>400,000</u>	<u>224,148</u>
Increase (decrease) in unrestricted net assets	469,281	(87,777)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues	148,106	150,667
Net assets released from restrictions	(95,292)	(35,640)
Increase in temporarily restricted net assets	52,814	115,027
CHANGE IN NET ASSETS	522,095	27,250
NET ASSETS, BEGINNING OF YEAR	<u>1,966,213</u>	<u>1,938,963</u>
NET ASSETS, END OF YEAR	<u>\$ 2,488,308</u>	<u>\$ 1,966,213</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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition	\$ 12,713,730	\$ 12,119,893
Less: financial grants and scholarships	(555,834)	(418,194)
Net tuition	12,157,896	11,701,699
Bookstore and cafeteria sales	363,487	299,211
State Aid - Mandated Services	968,961	1,011,544
Donations, events and gifts	761,865	861,416
Athletic activities	265,208	253,268
Co-curricular activities	954,149	1,110,468
Contributed services	62,692	49,303
Rental income	426,808	291,760
Fee income	1,212,798	1,021,181
Investment income	32,460	86,946
Miscellaneous	9,320	15,308
Net assets released from restrictions	706,437	355,566
Total operating revenues	<u>17,922,081</u>	<u>17,057,670</u>
Expenses:		
Instructional expenses	7,643,127	7,150,555
Employee benefits	2,736,216	2,400,276
Administrative expenses	1,359,312	1,441,344
Development costs	623,198	683,927
Rectory, convent and chapel	5,245	-
Bookstore, cafeteria and other	232,818	183,333
Athletic activities	1,407,558	1,399,538
Co-curricular activities	925,990	922,825
Depreciation and amortization expense	372,299	296,335
Operation and maintenance of plant	2,056,996	1,879,739
Total operating expenses	<u>17,362,759</u>	<u>16,357,872</u>
Excess of revenues over expenses	<u>559,322</u>	<u>699,798</u>
Subsidies from Diocese of Rockville Centre:		
Operating subsidy	400,000	292,507
Total subsidies	<u>400,000</u>	<u>292,507</u>
Increase in unrestricted net assets	<u>959,322</u>	<u>992,305</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues	262,768	325,761
Net assets released from restrictions	(706,437)	(355,566)
Decrease in temporarily restricted net assets	<u>(443,669)</u>	<u>(29,805)</u>
CHANGE IN NET ASSETS	515,653	962,500
NET ASSETS, BEGINNING OF YEAR	<u>3,405,864</u>	<u>2,443,364</u>
NET ASSETS, END OF YEAR	<u>\$ 3,921,517</u>	<u>\$ 3,405,864</u>

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should be read in conjunction with these statements.