

DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
FINANCIAL STATEMENTS
AS OF JUNE 30, 2010
TOGETHER WITH
AUDITORS' REPORT

DIOCESAN HIGH SCHOOLS
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FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

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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, 2010 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, 2010 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 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. 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 audits of the financial statements for the years ended June 30, 2010 and 2009 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 taken as a whole.

Melville, New York
August 10, 2010

Nawrocki Smith LLP

**DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2010**

<u>ASSETS</u>	Bishop McGann-Mercy	Holy Trinity	St. John The Baptist	Total
Cash	\$ 70,775	\$ 1,069,631	\$ 5,056,488	\$ 6,196,894
Cash investments	223,532	2,569,407	-	2,792,939
Cash and cash equivalents	294,307	3,639,038	5,056,488	8,989,833
Cash surrender value of life insurance	-	-	38,739	38,739
Accounts receivable - students	187,231	34,718	135,161	357,110
Pledges receivable	72,975	4,000	382,802	459,777
Other accounts receivable	14,735	508,465	499,241	1,022,441
Inventories of fuel, books and food	33,314	38,650	50,665	122,629
Prepaid expenses and other assets	1,882	66,315	17,591	85,788
Property and equipment, net of accumulated depreciation and amortization	4,469,722	2,562,764	3,269,152	10,301,638
Total assets	<u>\$ 5,074,166</u>	<u>\$ 6,853,950</u>	<u>\$ 9,449,839</u>	<u>\$ 21,377,955</u>
 <u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Loans payable	\$ 1,413,525	\$ 306,271	\$ 321,028	\$ 2,040,824
Accounts payable and accrued expenses	147,487	106,994	719,485	973,966
Accrued salaries and benefits	520,002	1,578,821	1,812,160	3,910,983
Accrued sick pay	311,865	1,639,220	1,308,297	3,259,382
Deferred revenue - advance tuition and student fees	152,396	476,349	807,244	1,435,989
Total liabilities	<u>2,545,275</u>	<u>4,107,655</u>	<u>4,968,214</u>	<u>11,621,144</u>
Net assets:				
Unrestricted:				
Plant	3,056,197	2,256,493	2,948,124	8,260,814
Designated	5,983	23,146	294,323	323,452
Undesignated	(536,870)	169,613	995,587	628,330
Total unrestricted net assets	<u>2,525,310</u>	<u>2,449,252</u>	<u>4,238,034</u>	<u>9,212,596</u>
Temporarily restricted	3,581	297,043	233,591	534,215
Permanently restricted	-	-	10,000	10,000
Total net assets	<u>2,528,891</u>	<u>2,746,295</u>	<u>4,481,625</u>	<u>9,756,811</u>
Total liabilities and net assets	<u>\$ 5,074,166</u>	<u>\$ 6,853,950</u>	<u>\$ 9,449,839</u>	<u>\$ 21,377,955</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, 2010

	Bishop McGann-Mercy	Holy Trinity	St. John The Baptist	Total
CHANGE IN UNRESTRICTED NET ASSETS:				
Revenues:				
Tuition	\$ 3,545,871	\$ 10,790,849	\$ 13,115,168	\$ 27,451,888
Less: financial grants and scholarships	(205,553)	(135,955)	(621,031)	(962,539)
Net tuition	3,340,318	10,654,894	12,494,137	26,489,349
Bookstore and cafeteria sales	207,725	640,056	310,430	1,158,211
State Aid - Mandated Services	257,820	799,175	796,915	1,853,910
Donations, events, gifts and grants	497,547	486,549	815,571	1,799,667
Athletic activities	81,766	190,068	246,392	518,226
Co-curricular activities	104,260	533,362	1,052,805	1,690,427
Contributed services	-	33,782	61,131	94,913
Rental income	68,501	478,602	395,281	942,384
Fee income	212,239	673,450	1,172,298	2,057,987
Investment income	731	10,527	34,174	45,432
Miscellaneous	11,806	75,657	5,810	93,273
Net assets released from restrictions	664,369	107,175	206,889	978,433
Total operating revenues	<u>5,447,082</u>	<u>14,683,297</u>	<u>17,591,833</u>	<u>37,722,212</u>
Expenses:				
Instructional expenses	2,352,301	6,428,464	7,296,701	16,077,466
Employee benefits	954,925	2,770,987	2,903,890	6,629,802
Administrative expenses	872,240	1,163,378	1,377,663	3,413,281
Development costs	304,166	324,909	459,544	1,088,619
Rectory, convent and chapel	33,444	19,034	18,680	71,158
Bookstore, cafeteria and other	158,817	478,360	233,441	870,618
Athletic activities	414,381	1,064,739	1,385,058	2,864,178
Co-curricular activities	127,043	566,130	1,001,826	1,694,999
Depreciation and amortization expense	378,334	387,044	584,113	1,349,491
Operation and maintenance of plant	636,538	1,468,382	2,059,045	4,163,965
Total operating expenses	<u>6,232,189</u>	<u>14,671,427</u>	<u>17,319,961</u>	<u>38,223,577</u>
Excess (deficiency) of revenues over (under) expenses	<u>(785,107)</u>	<u>11,870</u>	<u>271,872</u>	<u>(501,365)</u>
Subsidies from Diocese of Rockville Centre:				
Operating subsidy	550,000	250,000	250,000	1,050,000
Mortgage subsidy	362,222	-	-	362,222
Total subsidies	<u>912,222</u>	<u>250,000</u>	<u>250,000</u>	<u>1,412,222</u>
Increase (decrease) in unrestricted net assets	<u>127,115</u>	<u>261,870</u>	<u>521,872</u>	<u>910,857</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:				
Revenues	277,263	103,292	245,125	625,680
Net assets released from restrictions	(664,369)	(107,175)	(206,889)	(978,433)
Increase (decrease) in temporarily restricted net assets	<u>(387,106)</u>	<u>(3,883)</u>	<u>38,236</u>	<u>(352,753)</u>
CHANGE IN NET ASSETS	<u>(259,991)</u>	<u>257,987</u>	<u>560,108</u>	<u>558,104</u>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>2,788,882</u>	<u>2,488,308</u>	<u>3,921,517</u>	<u>9,198,707</u>
NET ASSETS, END OF YEAR	<u>\$ 2,528,891</u>	<u>\$ 2,746,295</u>	<u>\$ 4,481,625</u>	<u>\$ 9,756,811</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 CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

	Bishop McGann-Mercy	Holy Trinity	St. John The Baptist	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ (259,991)	\$ 257,987	\$ 560,108	\$ 558,104
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization expense	378,334	387,044	584,113	1,349,491
Increase in cash surrender value of life insurance	-	-	(2,625)	(2,625)
(Increase) decrease in accounts receivable - students, net	(55,321)	42,599	28,655	15,933
Decrease in pledges receivable	26,707	14,500	35,113	76,320
(Increase) decrease in other accounts receivable	10,640	(506,240)	(489,517)	(985,117)
(Increase) decrease in inventories of fuel, books and food	(3,838)	(2,500)	41,072	34,734
(Increase) decrease in prepaid expenses and other assets	13,109	(13,906)	(6,940)	(7,737)
Increase (decrease) in accounts payable and accrued expenses	53,468	(250,232)	(64,099)	(260,863)
Increase (decrease) in accrued salaries and benefits	100,926	75,106	(95,690)	80,342
Increase (decrease) in accrued sick pay	(90,451)	(35,111)	33,876	(91,686)
Increase (decrease) in deferred revenue - advance tuition and student fees	(41,784)	78,813	7,871	44,900
Net cash provided by operating activities	<u>131,799</u>	<u>48,060</u>	<u>631,937</u>	<u>811,796</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property and equipment, net	<u>(496,525)</u>	<u>(161,314)</u>	<u>(733,038)</u>	<u>(1,390,877)</u>
Net cash used by investing activities	<u>(496,525)</u>	<u>(161,314)</u>	<u>(733,038)</u>	<u>(1,390,877)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Decrease in loans payable	<u>(270,916)</u>	<u>(73,182)</u>	<u>(86,970)</u>	<u>(431,068)</u>
Net cash used by financing activities	<u>(270,916)</u>	<u>(73,182)</u>	<u>(86,970)</u>	<u>(431,068)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(635,642)	(186,436)	(188,071)	(1,010,149)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>929,949</u>	<u>3,825,474</u>	<u>5,244,559</u>	<u>9,999,982</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 294,307</u>	<u>\$ 3,639,038</u>	<u>\$ 5,056,488</u>	<u>\$ 8,989,833</u>
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid during the year for interest	<u>\$ 95,179</u>	<u>\$ 23,943</u>	<u>\$ 21,884</u>	<u>\$ 141,006</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, 2010

(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, 2011.

(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. 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 U.S. generally accepted accounting principles which require 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 U.S. generally accepted accounting principles, the High Schools have also presented consolidating statements of cash flows for the year ended June 30, 2010.

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, 2010, 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, 2010:

	<u>Bishop McGann-Mercy</u>	<u>Holy Trinity</u>	<u>St. John the Baptist</u>	<u>Total</u>
Sick pay account	\$ -	\$ 935,876	\$ -	\$ 935,876
Capital/Operating*	223,532	-	-	223,532
General account	-	821,569	-	821,569
	<u>\$ 223,532</u>	<u>\$ 1,757,445</u>	<u>\$ -</u>	<u>\$ 1,980,977</u>

*The Bishop McGann-Mercy Diocesan High School Unitas account contains 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, 2010, these investments amounted to \$811,962.

St. John the Baptist Diocesan High School has a money market account for sick pay. At June 30, 2010, this account balance was \$1,046,469.

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 Diocese of Rockville Centre has title to certain property utilized by other entities within the Diocese, including the Diocesan High Schools. The asset and related depreciation and amortization are recorded by the entities using such assets. The following represents the major classes of fixed assets as of June 30, 2010:

	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	535,976	2,969,305	4,392,721
Buildings	20-40	2,171,871	4,958,704	5,161,156	12,291,731
Building improvements	10-15	1,860,172	4,491,431	2,142,684	8,494,287
Library books	10	-	-	78,077	78,077
Furniture and equipment	5	607,133	1,716,740	1,260,212	3,584,085
Motor vehicles	5	59,081	135,500	33,287	227,868
		6,472,799	12,158,351	11,841,721	30,472,871
Less: accumulated depreciation and amortization		2,003,077	9,595,587	8,572,569	20,171,233
		<u>\$ 4,469,722</u>	<u>\$ 2,562,764</u>	<u>\$ 3,269,152</u>	<u>\$ 10,301,638</u>

Conditional asset retirement obligations -

The High Schools follow the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification on accounting for the impairment or disposal of long-lived assets. 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 FASB Accounting Standards Codification on asset retirement and environmental obligations 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, 2010.

Fair value of financial instruments -

U.S. generally accepted accounting principles 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 such instruments 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, 2010. 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, 2009/2010 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, 2010 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	\$ 48,755	\$ 2,000	\$ 173,412	\$ 224,167
One to five years	<u>25,990</u>	<u>2,000</u>	<u>222,891</u>	<u>250,881</u>
Total pledges receivable	74,745	4,000	396,303	475,048
Less: discount	<u>(1,770)</u>	<u>-</u>	<u>(13,501)</u>	<u>(15,271)</u>
Present value	<u>\$ 72,975</u>	<u>\$ 4,000</u>	<u>\$ 382,802</u>	<u>\$ 459,777</u>

New pledges recorded in the 2009/2010 school year were discounted at a rate of 1.79%. Pledges receivable of \$459,777 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, 2010, represented claims filed in the 2009/2010 school year based on costs incurred in the 2008/2009 school year. For claims filed in the 2009/2010 school year, both Holy Trinity and St. John the Baptist are still awaiting their payment as of June 30, 2010. These funds receivable have been accrued and are reflected in other accounts receivable on the Statement of Financial Position in the amount of \$981,111. For the 2009/2010 school year, each of the High Schools received additional payments from the State of New York totaling \$682,371 for the costs of maintaining period-by-period attendance records as required by the State. These additional funds are not guaranteed in 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 U.S. generally accepted accounting principles 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 \$2,171,871 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>	
2011	\$ 362,222
2012	362,222
2013	362,222
2014	362,222
2015	<u>362,222</u>
	1,811,110
Less: discount	<u>400,995</u>
Present value	<u>\$ 1,410,115</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. The balance of \$3,410 is payable in the upcoming year.

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:

<u>Year ending June 30,</u>	
2011	\$ 41,151
2012	<u>44,875</u>
	<u>\$ 86,026</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%. The balance of \$8,813 is payable in the upcoming year.

In August 2009, Holy Trinity Diocesan High School entered into a loan obligation for computers with a principal amount of \$59,604. The loan is payable over a period of four years and bears interest at a rate of 9.18%. Maturities of this loan payable are as follows:

<u>Year ending June 30,</u>	
2011	\$ 13,946
2012	15,282
2013	16,746
2014	<u>2,943</u>
	<u>\$ 48,917</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:

<u>Year ending June 30,</u>	
2011	\$ 46,198
2012	48,345
2013	50,591
2014	<u>17,381</u>
	<u>\$ 162,515</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:

<u>Year ending June 30,</u>	
2011	\$ 92,291
2012	97,908
2013	103,883
2014	<u>26,946</u>
	<u>\$ 321,028</u>

In addition to the loan refinancing, St. John the Baptist Diocesan High School has been approved for a revolving line of credit in the amount of \$500,000 at this same banking institution. As of June 30, 2010, this line has not been accessed.

(5) **Classification of net assets**

In accordance with U.S. generally accepted accounting principles, 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, 2010 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.

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	\$ 3,581	\$ 276,043	\$ 233,591	\$ 513,215
Capital projects	<u>-</u>	<u>21,000</u>	<u>-</u>	<u>21,000</u>
	<u>\$ 3,581</u>	<u>\$ 297,043</u>	<u>\$ 233,591</u>	<u>\$ 534,215</u>

During the year ended June 30, 2010, \$338,544 in scholarships, \$635,487 in capital projects and \$4,402 in programs were released from temporarily restricted net assets collectively from the three Diocesan High Schools.

(6) **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	\$ 5,983	\$ -	\$ 294,323	\$ 300,306
Capital projects	<u>-</u>	<u>23,146</u>	<u>-</u>	<u>23,146</u>
	<u>\$ 5,983</u>	<u>\$ 23,146</u>	<u>\$ 294,323</u>	<u>\$ 323,452</u>

(7) **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. Three additional teachers elected the retirement incentive effective June 30, 2010. During the fiscal year ended June 30, 2010, \$270,129 was paid in retirement incentives.

During the fiscal year ended June 30, 2010, the Diocese of Rockville Centre offered a Voluntary Separation Payment ("VSP") to non-instructional lay employees. Five eligible employees have elected to accept VSP. The cost of this incentive amounted to \$125,337 and will be paid out during the fiscal year ended June 30, 2011.

(8) **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 \$237,274 for the year ended June 30, 2010.

(9) **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 the FASB Accounting Standards Codification. Pension expense allocated to the High Schools for the year ended June 30, 2010 was \$1,844,471 for the noncontributory lay pension plan and \$21,681 for the noncontributory retirement plan for clergy.

(10) 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, 2010 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>
2011	\$ 31,765	\$ 68,923	\$ 46,741	\$ 147,429
2012	27,901	59,171	41,310	128,382
2013	19,581	50,808	30,865	101,254
2014	<u>8,191</u>	<u>8,406</u>	<u>2,184</u>	<u>18,781</u>
	<u>\$ 87,438</u>	<u>\$ 187,308</u>	<u>\$ 121,100</u>	<u>\$ 395,846</u>

(11) 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, 2010, the cash surrender value of these life insurance policies was \$38,739.

(12) Concentration of credit risk

During the fiscal year ended June 30, 2010, the Diocesan High Schools of the Diocese of Rockville Centre have maintained cash balances in excess of \$250,000 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.

(13) 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	\$ 3,723,165	\$9,937,752	\$11,540,717	\$25,201,634
Athletic	552,363	1,345,980	1,733,520	3,631,863
Co-curricular	146,072	697,463	1,162,243	2,005,778
Ancillary	<u>206,779</u>	<u>600,698</u>	<u>233,441</u>	<u>1,040,918</u>
Total programs	4,628,379	12,581,893	14,669,921	31,880,193

General and administrative	1,238,647	1,684,271	2,119,145	5,042,063
Development	<u>365,163</u>	<u>405,263</u>	<u>530,895</u>	<u>1,301,321</u>
Total expenses	<u>\$ 6,232,189</u>	<u>\$14,671,427</u>	<u>\$17,319,961</u>	<u>\$38,223,577</u>

(14) Prior period adjustment

Net assets for Bishop McGann-Mercy Diocesan High School have been restated as of July 1, 2009 as follows:

Balance as of July 1, 2009, as reported	\$ 2,838,882
Less: Effect of change in custody to Diocesan control of estate proceeds for permanently restricted scholarship for benefit of Bishop McGann-Mercy Diocesan High School graduates	<u>(50,000)</u>
Balance as of July 1, 2009, as restated	<u>\$ 2,788,882</u>

During the fiscal year ended June 30, 2009, Bishop McGann-Mercy Diocesan High School was informed that they were the beneficiary of an estate whereby a permanently restricted scholarship fund was to be set up for the benefit of graduating seniors. As such, a receivable in the amount of \$50,000 was recorded, as well as the establishment of a permanently restricted scholarship fund. Upon receipt of the official documentation, legal counsel advised management that the funds were required to be held and administered by the Diocese of Rockville Centre. Under the terms of the will, funds for this scholarship have been deposited in a local bank in Riverhead, New York in the name of the Diocese of Rockville Centre for the benefit of Bishop McGann-Mercy Diocesan High School graduates. The principal of this bequest is to remain restricted for a period of twenty years from the date of death of the donor, September 14, 2008. Interest is to be distributed on an annual basis as a scholarship to a graduating senior who will be attending college. The principal will be released from restriction and made available for general school operations effective on September 14, 2028.

(15) Subsequent events

In August 2010, Holy Trinity Diocesan High School began negotiating for the purchase of computer equipment for its classes and library. The terms of this agreement have not yet been finalized.

The High Schools evaluated subsequent events through August 10, 2010 which is the date these financial statements were available to be issued.

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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition	\$ 3,545,871	\$ 3,218,711
Less: financial grants and scholarships	(205,553)	(171,656)
Net tuition	3,340,318	3,047,055
Bookstore and cafeteria sales	207,725	235,639
State Aid - Mandated Services	257,820	231,371
Donations, events, gifts and grants	497,547	512,110
Athletic activities	81,766	47,883
Co-curricular activities	104,260	94,029
Rental income	68,501	62,636
Fee income	212,239	188,099
Investment income (loss)	731	(13,890)
Miscellaneous	11,806	14,705
Net assets released from restrictions	664,369	354,657
Total operating revenues	<u>5,447,082</u>	<u>4,774,294</u>
Expenses:		
Instructional expenses	2,352,301	2,276,981
Employee benefits	954,925	907,720
Administrative expenses	872,240	794,200
Development costs	304,166	275,677
Rectory, convent and chapel	33,444	36,441
Bookstore, cafeteria and other	158,817	197,821
Athletic activities	414,381	384,655
Co-curricular activities	127,043	83,358
Depreciation and amortization expense	378,334	354,235
Operation and maintenance of plant	636,538	623,483
Total operating expenses	<u>6,232,189</u>	<u>5,934,571</u>
Deficiency of revenues under expenses	<u>(785,107)</u>	<u>(1,160,277)</u>
Subsidies from Diocese of Rockville Centre:		
Operating subsidy	550,000	750,000
Mortgage subsidy	362,222	362,222
Total subsidies	<u>912,222</u>	<u>1,112,222</u>
Increase (decrease) in unrestricted net assets	<u>127,115</u>	<u>(48,055)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues	277,263	307,660
Net assets released from restrictions	(664,369)	(246,656)
Increase (decrease) in temporarily restricted net assets	<u>(387,106)</u>	<u>61,004</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS:		
Revenues	-	(26,999)
Net assets released from restrictions	-	(108,001)
Increase in permanently restricted net assets	<u>-</u>	<u>(135,000)</u>
CHANGE IN NET ASSETS	<u>(259,991)</u>	<u>(122,051)</u>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>2,788,882</u>	<u>2,910,933</u>
NET ASSETS, END OF YEAR	<u>\$ 2,528,891</u>	<u>\$ 2,788,882</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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition	\$ 10,790,849	\$ 10,953,301
Less: financial grants and scholarships	<u>(135,955)</u>	<u>(169,972)</u>
Net tuition	10,654,894	10,783,329
Bookstore and cafeteria sales	640,056	687,144
State Aid - Mandated Services	799,175	1,028,049
Donations, events, gifts and grants	486,549	459,837
Athletic activities	190,068	148,491
Co-curricular activities	533,362	588,855
Contributed services	33,782	37,958
Rental income	478,602	387,446
Fee income	673,450	654,242
Investment income	10,527	28,979
Miscellaneous	75,657	62,885
Net assets released from restrictions	<u>107,175</u>	<u>95,292</u>
Total operating revenues	<u>14,683,297</u>	<u>14,962,507</u>
Expenses:		
Instructional expenses	6,428,464	7,084,877
Employee benefits	2,770,987	2,345,230
Administrative expenses	1,163,378	1,247,592
Development costs	324,909	246,395
Rectory, convent and chapel	19,034	18,873
Bookstore, cafeteria and other	478,360	499,996
Athletic activities	1,064,739	1,058,753
Co-curricular activities	566,130	561,748
Depreciation and amortization expense	387,044	375,158
Operation and maintenance of plant	<u>1,468,382</u>	<u>1,454,604</u>
Total operating expenses	<u>14,671,427</u>	<u>14,893,226</u>
Excess of revenues over expenses	<u>11,870</u>	<u>69,281</u>
Subsidies from Diocese of Rockville Centre:		
Operating subsidy	<u>250,000</u>	<u>400,000</u>
Total subsidies	<u>250,000</u>	<u>400,000</u>
Increase in unrestricted net assets	<u>261,870</u>	<u>469,281</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues	103,292	148,106
Net assets released from restrictions	<u>(107,175)</u>	<u>(95,292)</u>
Increase (decrease) in temporarily restricted net assets	<u>(3,883)</u>	<u>52,814</u>
CHANGE IN NET ASSETS	257,987	522,095
NET ASSETS, BEGINNING OF YEAR	<u>2,488,308</u>	<u>1,966,213</u>
NET ASSETS, END OF YEAR	<u>\$ 2,746,295</u>	<u>\$ 2,488,308</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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition	\$ 13,115,168	\$ 12,713,730
Less: financial grants and scholarships	<u>(621,031)</u>	<u>(555,834)</u>
Net tuition	12,494,137	12,157,896
Bookstore and cafeteria sales	310,430	363,487
State Aid - Mandated Services	796,915	968,961
Donations, events, gifts and grants	815,571	761,865
Athletic activities	246,392	265,208
Co-curricular activities	1,052,805	954,149
Contributed services	61,131	62,692
Rental income	395,281	426,808
Fee income	1,172,298	1,212,798
Investment income	34,174	32,460
Miscellaneous	5,810	9,320
Net assets released from restrictions	<u>206,889</u>	<u>706,437</u>
Total operating revenues	<u>17,591,833</u>	<u>17,922,081</u>
Expenses:		
Instructional expenses	7,296,701	7,643,127
Employee benefits	2,903,890	2,736,216
Administrative expenses	1,377,663	1,359,312
Development costs	459,544	623,198
Rectory, convent and chapel	18,680	5,245
Bookstore, cafeteria and other	233,441	232,818
Athletic activities	1,385,058	1,407,558
Co-curricular activities	1,001,826	925,990
Depreciation and amortization expense	584,113	372,299
Operation and maintenance of plant	<u>2,059,045</u>	<u>2,056,996</u>
Total operating expenses	<u>17,319,961</u>	<u>17,362,759</u>
Excess of revenues over expenses	<u>271,872</u>	<u>559,322</u>
Subsidies from Diocese of Rockville Centre:		
Operating subsidy	<u>250,000</u>	<u>400,000</u>
Total subsidies	<u>250,000</u>	<u>400,000</u>
Increase in unrestricted net assets	<u>521,872</u>	<u>959,322</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues	245,125	262,768
Net assets released from restrictions	<u>(206,889)</u>	<u>(706,437)</u>
Increase (decrease) in temporarily restricted net assets	<u>38,236</u>	<u>(443,669)</u>
CHANGE IN NET ASSETS	560,108	515,653
NET ASSETS, BEGINNING OF YEAR	<u>3,921,517</u>	<u>3,405,864</u>
NET ASSETS, END OF YEAR	<u>\$ 4,481,625</u>	<u>\$ 3,921,517</u>

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