

DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
FINANCIAL STATEMENTS
AS OF JUNE 30, 2007
TOGETHER WITH
AUDITORS' REPORT

DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
FINANCIAL STATEMENTS
AS OF JUNE 30, 2007

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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, 2007 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, 2007 and the results of their activities and changes in net assets and 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, 2007 and 2006 and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Melville, New York
December 3, 2007

Nawrocki Smith LLP

DIOCESAN HIGH SCHOOLS
OF THE DIOCESE OF ROCKVILLE CENTRE
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2007

<u>ASSETS</u>	Bishop McGann-Mercy	Holy Trinity	St. John The Baptist	Total
Cash	\$ 243,681	\$ 560,167	\$ 2,659,606	\$ 3,463,454
Cash investments	840,393	1,807,197	923,293	3,570,883
Cash and cash equivalents	1,084,074	2,367,364	3,582,899	7,034,337
Accounts receivable - students	49,400	38,008	133,557	220,965
Pledges receivable	33,000	-	574,500	607,500
Other accounts receivable	124,874	590,336	802,980	1,518,190
Inventories of fuel, books and food	15,998	41,536	101,357	158,891
Prepaid expenses and other assets	17,262	27,160	73,936	118,358
Property and equipment, net of accumulated depreciation and amortization	4,049,982	2,625,933	2,027,727	8,703,642
Total assets	<u>\$ 5,374,590</u>	<u>\$ 5,690,337</u>	<u>\$ 7,296,956</u>	<u>\$ 18,361,883</u>
 <u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Loans payable	\$ 2,179,992	\$ 19,547	\$ 777,239	\$ 2,976,778
Capital lease obligation	9,801	-	-	9,801
Accounts payable and accrued expenses	21,153	186,939	627,736	835,828
Accrued salaries and benefits	328,350	1,507,201	1,770,927	3,606,478
Accrued sick pay	246,484	1,655,845	1,012,520	2,914,849
Deferred revenue - advance tuition and student fees	153,814	381,842	665,170	1,200,826
Total liabilities	<u>2,939,594</u>	<u>3,751,374</u>	<u>4,853,592</u>	<u>11,544,560</u>
Net assets:				
Unrestricted:				
Plant	1,860,189	2,606,386	1,250,488	5,717,063
Designated	153,776	200,521	197,758	552,055
Undesignated	(160,757)	(1,001,029)	316,291	(845,495)
Total unrestricted net assets	1,853,208	1,805,878	1,764,537	5,423,623
Temporarily restricted	581,788	133,085	668,827	1,383,700
Permanently restricted	-	-	10,000	10,000
Total net assets	<u>2,434,996</u>	<u>1,938,963</u>	<u>2,443,364</u>	<u>6,817,323</u>
Total liabilities and net assets	<u>\$ 5,374,590</u>	<u>\$ 5,690,337</u>	<u>\$ 7,296,956</u>	<u>\$ 18,361,883</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, 2007**

	Bishop McGann-Mercy	Holy Trinity	St. John The Baptist	Total
CHANGE IN UNRESTRICTED NET ASSETS:				
Revenues:				
Tuition	\$ 2,567,513	\$ 11,049,698	\$ 11,291,927	\$ 24,909,138
Less: financial grants	(70,085)	(85,400)	(333,766)	(489,251)
Net tuition	2,497,428	10,964,298	10,958,161	24,419,887
Bookstore and cafeteria sales	261,091	742,961	232,605	1,236,657
State Aid - Mandated Services	119,168	646,783	496,870	1,262,821
Donations and gifts	511,460	701,518	328,059	1,541,037
Co-curricular activities	100,181	393,794	1,496,114	1,990,089
Contributed services	30,754	193,433	105,926	330,113
Rental income	73,610	283,795	145,711	503,116
Student fees	141,425	414,926	732,850	1,289,201
Interest	687	102,238	178,407	281,332
Miscellaneous	3,081	68,789	106,057	177,927
Net assets released from restrictions	253,137	312,912	97,444	663,493
Total operating revenues	3,992,022	14,825,447	14,878,204	33,695,673
Expenses:				
Instructional expenses	1,737,327	7,221,884	6,743,210	15,702,421
Employee benefits	692,435	2,294,312	2,657,808	5,644,555
Administrative expenses	610,619	1,193,325	1,269,032	3,072,976
Rectory, convent and chapel	51,581	126,194	83,960	261,735
Bookstore, cafeteria and other	261,593	575,305	144,719	981,617
Athletic activities	258,638	878,574	1,310,772	2,447,984
Co-curricular activities	597,811	828,729	1,182,531	2,609,071
Depreciation and amortization expense	344,049	448,739	404,027	1,196,815
Operation and maintenance of plant	502,513	1,330,326	1,645,261	3,478,100
Other expenses	-	19,646	72,785	92,431
Total operating expenses	5,056,566	14,917,034	15,514,105	35,487,705
Deficiency of revenues under expenses	(1,064,544)	(91,587)	(635,901)	(1,792,032)
Subsidies and special grant from Diocese of Rockville Centre:				
Operating subsidy	1,049,416	287,000	407,323	1,743,739
Capital subsidy	411,347	331,488	180,535	923,370
Diocesan 50th Anniversary Grant	57,746	197,457	231,523	486,726
Total subsidies and special grant	1,518,509	815,945	819,381	3,153,835
Increase in unrestricted net assets	453,965	724,358	183,480	1,361,803
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:				
Revenues	246,731	42,247	639,459	928,437
Net assets released from restrictions	(253,137)	(312,912)	(97,444)	(663,493)
Increase (decrease) in temporarily restricted net assets	(6,406)	(270,665)	542,015	264,944
CHANGE IN NET ASSETS	447,559	453,693	725,495	1,626,747
NET ASSETS, BEGINNING OF YEAR	* 1,987,437	1,485,270	1,717,869	5,190,576
NET ASSETS, END OF YEAR	\$ 2,434,996	\$ 1,938,963	\$ 2,443,364	\$ 6,817,323

* Bishop McGann-Mercy beginning net assets have been restated (see Note 12).

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, 2007

	<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	\$ 447,559	\$ 453,693	\$ 725,495	\$ 1,626,747
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization expense	344,049	448,739	404,027	1,196,815
(Increase) decrease in accounts receivable - students, net	(1,085)	(12,979)	273,823	259,759
Increase in pledges receivable	(33,000)	-	(574,500)	(607,500)
Increase in other accounts receivable	(52,070)	(178,383)	(80,012)	(310,465)
(Increase) decrease in inventories of fuel, books and food	5,136	581	(31,924)	(26,207)
(Increase) decrease in prepaid expenses and other assets	(6,904)	37,024	7,133	37,253
Decrease in accounts payable and accrued expenses	(45,165)	(184,980)	(5,664)	(235,809)
Increase (decrease) in accrued salaries and benefits	(72,299)	(176,238)	544,983	296,446
Increase in accrued sick pay	73,373	108,640	36,224	218,237
Increase (decrease) in deferred revenue - advance tuition and student fees	40,653	(6,350)	24,508	58,811
Net cash provided by operating activities	<u>700,247</u>	<u>489,747</u>	<u>1,324,093</u>	<u>2,514,087</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property and equipment, net	<u>(515,609)</u>	<u>(369,723)</u>	<u>(209,543)</u>	<u>(1,094,875)</u>
Net cash used by investing activities	<u>(515,609)</u>	<u>(369,723)</u>	<u>(209,543)</u>	<u>(1,094,875)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Decrease in capital lease obligation	(5,830)	-	-	(5,830)
Increase (decrease) in loans payable	<u>(257,148)</u>	<u>19,547</u>	<u>(96,072)</u>	<u>(333,673)</u>
Net cash provided (used) by financing activities	<u>(262,978)</u>	<u>19,547</u>	<u>(96,072)</u>	<u>(339,503)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(78,340)	139,571	1,018,478	1,079,709
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,162,414</u>	<u>2,227,793</u>	<u>2,564,421</u>	<u>5,954,628</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,084,074</u>	<u>\$ 2,367,364</u>	<u>\$ 3,582,899</u>	<u>\$ 7,034,337</u>
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid during the year for interest	<u>\$ 92,577</u>	<u>\$ -</u>	<u>\$ 68,759</u>	<u>\$ 161,336</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, 2007

(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, 2008. During the year ended June 30, 2007, the High Schools received a special 50th Anniversary Grant from the Diocese of Rockville Centre, through a reduction in certain amounts due to the Diocese of Rockville Centre for insurance expenses.

(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 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, 2007.

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, 2007, 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, 2007:

	<u>Bishop McGann-Mercy</u>	<u>Holy Trinity</u>	<u>St. John the Baptist</u>	<u>Total</u>
Sick pay account	\$ -	\$ 951,579	\$ 446,805	\$ 1,398,384
Capital campaign	840,393	-	410,360	1,250,753
General account	-	634,571	60,288	694,859
Development account	-	169,416	5,840	175,256
Scholarship account	-	51,631	-	51,631
	<u>\$ 840,393</u>	<u>\$ 1,807,197</u>	<u>\$ 923,293</u>	<u>\$ 3,570,883</u>

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, 2007:

	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	-	-	1,338,333	1,338,333
Construction-in-progress	N/A	-	-	30,000	30,000
Buildings	20-40	2,171,871	4,958,705	5,161,156	12,291,732
Building improvements	10-15	1,366,909	4,425,490	1,653,580	7,445,979
Library books	10	-	75,281	78,077	153,358
Furniture and equipment	5	414,329	1,369,848	889,403	2,673,580
Motor vehicles	5	<u>43,646</u>	<u>40,061</u>	<u>-</u>	<u>83,707</u>
		4,883,857	11,189,385	9,347,549	25,420,791
Less: accumulated depreciation and amortization		<u>833,875</u>	<u>8,563,452</u>	<u>7,319,822</u>	<u>16,717,149</u>
		<u>\$ 4,049,982</u>	<u>\$ 2,625,933</u>	<u>\$ 2,027,727</u>	<u>\$ 8,703,642</u>

Recently issued accounting pronouncements -

The Financial Accounting Standards Board (“FASB”) recently 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 or disposal 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, 2007.

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 classified 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, 2007. 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 consists primarily of receivables for student tuition for the June 30, 2006/2007 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, 2007 is as follows:

Less than one year	\$ 309,093
One to five years	<u>357,923</u>
Total pledges receivable	667,016
Less: discount	<u>(59,516)</u>
Present value	<u>\$ 607,500</u>

New pledges recorded in the 2006/2007 school year were discounted at a rate of 4.92%. Pledges receivable of \$309,135 are included in temporarily restricted net assets and \$298,365 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, 2007, represented claims filed in the 2006/2007 school year based on costs incurred in the 2005/2006 school year.

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.

(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>	
2008	\$ 362,222
2009	362,222
2010	362,222
2011	362,222
2012	362,222
2013 and thereafter	<u>1,086,668</u>
	2,897,778
Less: discount	<u>731,432</u>
Present value	<u>\$ 2,166,346</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:

<u>Year ending June 30,</u>	
2008	\$ 3,412
2009	3,412
2010	3,412
2011	<u>3,410</u>
	<u>\$ 13,646</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:

<u>Year ending June 30,</u>	
2008	\$ 6,516
2009	6,516
2010	<u>6,515</u>
	<u>\$ 19,547</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>	
2008	\$ 104,340
2009	113,321
2010	123,074
2011	133,667
2012	145,171
2013 and thereafter	<u>157,666</u>
	<u>\$ 777,239</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, 2007 are as follows:

<u>Year ending June 30,</u>	
2008	\$ 6,256
2009	<u>3,545</u>
	<u>\$ 9,801</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, 2007 are invested in cash and cash equivalents.

Certain reclassifications have been made to properly state the High Schools net assets as of July 1, 2006 based upon a detailed analysis performed during the current year.

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	\$ 4,530	\$ 133,085	\$ 110,776	\$ 248,391
Capital projects	<u>577,258</u>	<u>-</u>	<u>558,051*</u>	<u>1,135,309</u>
	<u>\$ 581,788</u>	<u>\$ 133,085</u>	<u>\$ 668,827</u>	<u>\$ 1,383,700</u>

*Included in temporarily restricted net assets of St. John the Baptist is \$309,135 of pledges receivable.

(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	\$ 11,527	\$ 3,784	\$ 197,758	\$ 213,069
Capital projects	<u>142,249</u>	<u>196,737</u>	<u>-</u>	<u>338,986</u>
	<u>\$ 153,776</u>	<u>\$ 200,521</u>	<u>\$ 197,758</u>	<u>\$ 552,055</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 payable over a three year period beginning the following school year.

(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. Holy Trinity and Catholic Charities are currently negotiating an extension where substantially all terms will remain the same. Rental income was \$202,817 for the year ended June 30, 2007.

(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. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits. Pension expense allocated to the High Schools for the year ended June 30, 2007 was \$1,249,686 for the noncontributory lay pension plan and \$7,343 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, 2007 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>
2008	\$ 5,096	\$ 67,339	\$ 52,621	\$ 125,056
2009	3,267	26,840	36,656	66,763
2010	-	-	26,115	26,115
2011	-	-	8,518	8,518
	<u>\$ 8,363</u>	<u>\$ 94,179</u>	<u>\$ 123,910</u>	<u>\$ 226,452</u>

(12) **Prior period adjustment**

Net assets for Bishop McGann-Mercy Diocesan High School have been restated as of July 1, 2006 as follows:

Balance as of July 1, 2006, as reported	\$ 2,083,437
Less: effect of reconciling pledge receivables	<u>(96,000)</u>
Balance as of January 1, 2006, as restated	<u>\$ 1,987,437</u>

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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition	\$ 2,567,513	\$ 2,128,150
Less: financial grants	<u>(70,085)</u>	<u>(56,750)</u>
Net tuition	2,497,428	2,071,400
Bookstore and cafeteria sales	261,091	162,368
State Aid - Mandated Services	119,168	98,465
Donations and gifts	511,460	266,876
Co-curricular activities	100,181	133,061
Contributed services	30,754	56,936
Rental income	73,610	36,939
Student fees	141,425	128,141
Interest	687	849
Miscellaneous	3,081	2,514
Net assets released from restrictions	<u>253,137</u>	<u>275,338</u>
Total operating revenues	<u>3,992,022</u>	<u>3,232,887</u>
Expenses:		
Instructional expenses	1,737,327	1,784,350
Employee benefits	692,435	629,163
Administrative expenses	610,619	590,481
Rectory, convent and chapel	51,581	80,312
Bookstore, cafeteria and other	261,593	183,172
Athletic activities	258,638	230,572
Co-curricular activities	597,811	378,790
Depreciation and amortization expense	344,049	194,252
Operation and maintenance of plant	502,513	426,040
Other expenses	-	11,053
Total operating expenses	<u>5,056,566</u>	<u>4,508,185</u>
Deficiency of revenues under expenses	<u>(1,064,544)</u>	<u>(1,275,298)</u>
Subsidies and special grant from Diocese of Rockville Centre:		
Operating subsidy	1,049,416	1,186,453
Capital subsidy	411,347	621,834
Diocesan 50th Anniversary Grant	<u>57,746</u>	<u>-</u>
Total subsidies and special grant	<u>1,518,509</u>	<u>1,808,287</u>
Increase in unrestricted net assets	<u>453,965</u>	<u>532,989</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues	246,731	584,649
Net assets released from restrictions	<u>(253,137)</u>	<u>(275,338)</u>
Increase (decrease) in temporarily restricted net assets	<u>(6,406)</u>	<u>309,311</u>
CHANGE IN NET ASSETS	447,559	842,300
NET ASSETS, BEGINNING OF YEAR, AS RESTATED FOR 2006	<u>1,987,437</u>	<u>1,145,137</u>
NET ASSETS, END OF YEAR	<u>\$ 2,434,996</u>	<u>\$ 1,987,437</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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition	\$ 11,049,698	\$ 10,700,333
Less: financial grants	(85,400)	(76,260)
Net tuition	10,964,298	10,624,073
Bookstore and cafeteria sales	742,961	786,465
State Aid - Mandated Services	646,783	658,344
Donations and gifts	701,518	370,882
Co-curricular activities	393,794	422,060
Contributed services	193,433	231,207
Rental income	283,795	277,017
Student fees	414,926	392,396
Interest	102,238	66,066
Miscellaneous	68,789	44,610
Net assets released from restrictions	312,912	320,371
Total operating revenues	<u>14,825,447</u>	<u>14,193,491</u>
Expenses:		
Instructional expenses	7,221,884	7,217,209
Employee benefits	2,294,312	2,140,137
Administrative expenses	1,193,325	1,213,548
Rectory, convent and chapel	126,194	114,900
Bookstore, cafeteria and other	575,305	596,771
Athletic activities	878,574	868,975
Co-curricular activities	828,729	834,861
Depreciation and amortization expense	448,739	456,248
Operation and maintenance of plant	1,330,326	1,356,326
Other expenses	19,646	243,441
Total operating expenses	<u>14,917,034</u>	<u>15,042,416</u>
Deficiency of revenues under expenses	<u>(91,587)</u>	<u>(848,925)</u>
Subsidies and special grant from Diocese of Rockville Centre:		
Operating subsidy	287,000	439,157
Capital subsidy	331,488	1,232,335
Diocesan 50th Anniversary Grant	197,457	-
Total subsidies and special grant	<u>815,945</u>	<u>1,671,492</u>
Increase in unrestricted net assets	<u>724,358</u>	<u>822,567</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues	42,247	391,947
Net assets released from restrictions	(312,912)	(320,371)
Increase (decrease) in temporarily restricted net assets	<u>(270,665)</u>	<u>71,576</u>
CHANGE IN NET ASSETS	453,693	894,143
NET ASSETS, BEGINNING OF YEAR	<u>1,485,270</u>	<u>591,127</u>
NET ASSETS, END OF YEAR	<u>\$ 1,938,963</u>	<u>\$ 1,485,270</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, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition	\$ 11,291,927	\$ 10,468,439
Less: financial grants	(333,766)	(278,647)
Net tuition	10,958,161	10,189,792
Bookstore and cafeteria sales	232,605	224,006
State Aid - Mandated Services	496,870	474,941
Donations and gifts	328,059	37,914
Co-curricular activities	1,496,114	380,019
Contributed services	105,926	117,746
Rental income	145,711	150,084
Student fees	732,850	698,200
Interest	178,407	85,344
Miscellaneous	106,057	93,992
Net assets released from restrictions	97,444	1,118,034
Total operating revenues	<u>14,878,204</u>	<u>13,570,072</u>
Expenses:		
Instructional expenses	6,743,210	6,467,799
Employee benefits	2,657,808	2,084,985
Administrative expenses	1,269,032	1,294,493
Rectory, convent and chapel	83,960	68,761
Bookstore, cafeteria and other	144,719	159,710
Athletic activities	1,310,772	1,265,770
Co-curricular activities	1,182,531	1,130,982
Depreciation and amortization expense	404,027	371,645
Operation and maintenance of plant	1,645,261	1,497,215
Other expenses	72,785	228,896
Total operating expenses	<u>15,514,105</u>	<u>14,570,256</u>
Deficiency of revenues under expenses	<u>(635,901)</u>	<u>(1,000,184)</u>
Subsidies and special grant from Diocese of Rockville Centre:		
Operating subsidy	407,323	587,061
Capital subsidy	180,535	150,000
Diocesan 50th Anniversary Grant	231,523	-
Total subsidies and special grant	<u>819,381</u>	<u>737,061</u>
Increase (decrease) in unrestricted net assets	<u>183,480</u>	<u>(263,123)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues	639,459	1,693,485
Net assets released from restrictions	(97,444)	(1,118,034)
Increase in temporarily restricted net assets	<u>542,015</u>	<u>575,451</u>
CHANGE IN NET ASSETS	<u>725,495</u>	<u>312,328</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,717,869</u>	<u>1,405,541</u>
NET ASSETS, END OF YEAR	<u>\$ 2,443,364</u>	<u>\$ 1,717,869</u>

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