

Combined Financial Statements and Report of
Independent Certified Public Accountants

Archdiocese of Philadelphia
Office of Catholic Education
High Schools

June 30, 2015 and 2014

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Report of Independent Certified Public Accountants

To the Secretary of Catholic Education/Chief Operating Officer
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Report on the financial statements

We have audited the accompanying combined financial statements of the Archdiocese of Philadelphia, Office of Catholic Education High Schools (“High Schools”), which comprise the combined statements of financial position as of June 30, 2015 and 2014, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the High Schools’ preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the High Schools’ internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Archdiocese of Philadelphia, Office of Catholic Education High Schools as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

We draw attention to Note A to the financial statements, which describes the legal structure of the High Schools within the Archdiocese of Philadelphia. Our opinion is not modified with respect to this matter.

Other matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary information contained in the accompanying combining statements of financial position as of June 30, 2015 and 2014 and the related combining statements of activities and changes in net assets for the years then ended are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the combined financial statements, or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

The image shows a handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, professional style.

Philadelphia, Pennsylvania

December 7, 2015

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30,

	2015	2014
ASSETS		
Cash and cash equivalents, including amounts held by affiliate	\$ 28,852,151	\$ 22,594,312
Parental tuition and fees receivable, less allowance for doubtful accounts of \$5,559,412 and \$5,107,879	3,399,140	4,659,222
Due from related organizations (Note J)	39,857	41,016
Pledges receivable, net (Note C)	829,468	188,417
Other receivables	1,063,726	794,084
Prepaid expenses and other assets	1,428,758	3,035,628
Beneficial interest in financially inter-related organizations	8,205,556	8,641,442
Investments (Note D)	57,394,429	58,569,923
Property and equipment, net (Note F)	110,861,475	114,300,816
 Total assets	 \$ 212,074,560	 \$ 212,824,860
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 4,105,155	\$ 4,968,472
Accrued payroll	6,389,038	6,516,458
Accrued non-pension retirement benefits (Note K)	2,360,604	3,310,109
Accrued vacation (Note K)	626,027	579,018
Incurred but not reported medical claims (Note B)	783,000	-
Due to related organizations (Note J)	542,879	539,787
Deferred revenue	5,123,099	4,190,372
Notes payable to Archdiocese of Philadelphia (Note J)	65,133,021	66,450,578
 Total liabilities	 85,062,823	 86,554,794
 Net assets:		
Unrestricted	54,915,291	51,628,910
Temporarily restricted (Note G)	35,606,559	38,409,634
Permanently restricted (Note H)	36,489,887	36,231,522
 Total net assets	 127,011,737	 126,270,066
 Total liabilities and net assets	 \$ 212,074,560	 \$ 212,824,860

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

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:				
Tuition and fees funded by:				
Parents and guardians	\$ 92,892,128	\$ -	\$ -	\$ 92,892,128
Third-party organizations	3,614,290	-	-	3,614,290
Tax credit programs	3,718,190	-	-	3,718,190
Office of Catholic Education	617,392	-	-	617,392
School and alumni organizations	7,583,186	-	-	7,583,186
Summer School	164,904	-	-	164,904
Total	108,590,090	-	-	108,590,090
Less:				
Scholarship and tuition assistance eliminations	8,145,139	-	-	8,145,139
Tuition reductions	2,611,569	-	-	2,611,569
Net tuition and fees	97,833,382	-	-	97,833,382
Student activities	2,545,415	4,902	-	2,550,317
Athletics	2,223,497	-	-	2,223,497
Resale items income - net of disbursements	353,311	-	-	353,311
Contributions and donations	10,116,547	4,296,664	109,885	14,523,096
Other	3,570,437	89,131	-	3,659,568
Fund-raising - net of disbursements	1,222,733	140,797	-	1,363,530
Interest and investment income	238,812	920,237	-	1,159,049
Contributed services (Note M)	1,444,935	-	-	1,444,935
Total other operating revenues	21,715,687	5,451,731	109,885	27,277,303
Net realized gains on investments	4,649	944,203	148,480	1,097,332
Net change in unrealized gains on investments	(7,571)	(788,619)	-	(796,190)
Total investment (losses) gains	(2,922)	155,584	148,480	301,142
Funds with deficiencies	91,421	(91,421)	-	-
Net assets released from restriction				
Satisfaction of purpose restrictions - CL2000	1,546,800	(1,546,800)	-	-
Satisfaction of purpose restrictions - Heritage of Faith	1,200,000	(1,200,000)	-	-
Satisfaction of purpose restrictions - General	5,303,505	(5,303,505)	-	-
Total revenues	127,687,873	(2,534,411)	258,365	125,411,827
Expenses:				
Administration	21,264,352	-	-	21,264,352
Instruction	46,637,257	-	-	46,637,257
Operations and maintenance of plant	19,033,289	-	-	19,033,289
Employee benefits	23,262,925	-	-	23,262,925
Student activities	3,782,965	-	-	3,782,965
Athletics	6,594,488	-	-	6,594,488
Debt service	2,638,424	-	-	2,638,424
Other	1,051,555	-	-	1,051,555
Total expenses	124,265,255	-	-	124,265,255
Change in net assets before other items	3,422,618	(2,534,411)	258,365	1,146,572
Change in financially inter-related organizations	(167,222)	(268,664)	-	(435,886)
Other	30,985	-	-	30,985
Change in net assets	3,286,381	(2,803,075)	258,365	741,671
Net assets				
Beginning of year	51,628,910	38,409,634	36,231,522	126,270,066
End of year	\$ 54,915,291	\$ 35,606,559	\$ 36,489,887	\$ 127,011,737

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

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2014

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:				
Tuition and fees funded by:				
Parents and guardians	\$ 90,750,089	\$ -	\$ -	\$ 90,750,089
Third-party organizations	2,973,709	-	-	2,973,709
Tax credit programs	2,920,261	-	-	2,920,261
Office of Catholic Education	428,522	-	-	428,522
School and alumni organizations	7,045,650	-	-	7,045,650
Summer School	169,459	-	-	169,459
Total	104,287,690	-	-	104,287,690
Less:				
Scholarship and tuition assistance eliminations	7,140,127	-	-	7,140,127
Tuition reductions	1,804,018	-	-	1,804,018
Net tuition and fees	95,343,545	-	-	95,343,545
Student activities	2,369,214	6,160	-	2,375,374
Athletics	2,197,391	-	-	2,197,391
Resale items income - net of disbursements	404,209	(10,645)	-	393,564
Contributions and donations	9,414,417	3,665,786	113,666	13,193,869
Other	3,188,237	8,290	-	3,196,527
Fund-raising - net of disbursements	1,428,952	71,197	-	1,500,149
Interest and investment income	306,132	991,522	-	1,297,654
Contributed services (Note M)	1,224,535	-	-	1,224,535
Total other operating revenues	20,533,087	4,732,310	113,666	25,379,063
Net realized gains on investments	31,199	3,289,261	521,563	3,842,023
Net change in unrealized gains on investments	94,061	3,594,064	-	3,688,125
Total investment gains	125,260	6,883,325	521,563	7,530,148
Funds with deficiencies	29,462	(29,462)	-	-
Net assets released from restriction				
Satisfaction of purpose restrictions - CL2000	1,090,000	(1,090,000)	-	-
Satisfaction of purpose restrictions - Heritage of Faith	1,400,000	(1,400,000)	-	-
Satisfaction of purpose restrictions - General	3,776,938	(3,776,938)	-	-
Total revenues	122,298,292	5,319,235	635,229	128,252,756
Expenses:				
Administration	20,791,240	-	-	20,791,240
Instruction	47,011,191	-	-	47,011,191
Operations and maintenance of plant	19,462,950	-	-	19,462,950
Employee benefits	21,706,478	-	-	21,706,478
Student activities	3,731,665	-	-	3,731,665
Athletics	6,459,539	-	-	6,459,539
Debt service	3,013,840	-	-	3,013,840
Other	731,888	-	-	731,888
Total expenses	122,908,791	-	-	122,908,791
Change in net assets before other item	(610,499)	5,319,235	635,229	5,343,965
Change in financially inter-related organizations	(228,074)	(37,758)	-	(265,832)
Change in net assets	(838,573)	5,281,477	635,229	5,078,133
Net assets				
Beginning of year	52,467,483	33,128,157	35,596,293	121,191,933
End of year	\$ 51,628,910	\$ 38,409,634	\$ 36,231,522	\$ 126,270,066

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

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

COMBINED STATEMENTS OF CASH FLOWS

Year ended June 30,

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 741,671	\$ 5,078,133
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	6,300,933	6,178,500
Bad debt expense	1,424,511	2,295,907
Net change in unrealized gains on investments	796,190	(3,688,125)
Net realized gains on investments	(1,097,332)	(3,842,023)
Change in financially inter-related organizations	435,886	265,832
Changes in assets and liabilities		
Parental tuition and fees receivable	(164,429)	(2,778,909)
Due from related organizations	1,159	228
Pledges receivable, net	(641,051)	84,018
Other receivables	(269,642)	661,284
Prepaid expenses and other assets	1,606,870	(1,211,954)
Accounts payable	64,104	1,064,641
Accrued payroll	(127,420)	58,591
Accrued non-pension retirement benefits	(949,505)	(133,649)
Accrued vacation	47,009	24,259
Incurred but not reported medical claims	783,000	-
Due to related organizations	3,092	(965,111)
Deferred revenue	932,727	1,258,557
Net cash provided by operating activities	9,887,773	4,350,179
Cash flows from investing activities		
Purchase of property and equipment	(3,789,013)	(4,804,861)
Purchase of investments, net	1,476,636	1,110,234
Net cash used in investing activities	(2,312,377)	(3,694,627)
Cash flows from financing activities		
Repayments of long-term notes payable	(1,317,557)	(9,773,205)
Net cash used in financing activities	(1,317,557)	(9,773,205)
Net increase (decrease) in cash and cash equivalents	6,257,839	(9,117,653)
Cash and cash equivalents		
Beginning of year	22,594,312	31,711,965
End of year	\$ 28,852,151	\$ 22,594,312
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 2,638,424	\$ 3,013,840

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

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A - NATURE OF OPERATIONS

The accompanying combined financial statements of the Office of Catholic Education High Schools (“High Schools”) include the funds generated from and designated for the operations and maintenance of the seventeen (17) high schools owned by the Archdiocese of Philadelphia, Office of Catholic Education. These combined financial statements consolidate the centrally managed High School Operations Account and the individual Presidents’ accounts maintained by each school. They exclude certain entities of the Archdiocese of Philadelphia, which relate to the high schools, but are considered separate reporting entities. These entities are as follows:

- Schools of Special Education (“SPED”)
- Office of Catholic Education (“OCE”) Administration Account
- Office for Financial Services
- Trustee Account of the Archdiocese of Philadelphia for Estates and Trusts
- Catholic Cemeteries Office
- Catholic Health Care Services
- Catholic Social Services

The High Schools are considered to be a component of the Archdiocese of Philadelphia and not a separate legal entity. Effective September 1, 2012, the Archdiocese of Philadelphia entered into an agreement with Faith in the Future Foundation (“FIF”). The agreement is for the period of five school years and shall automatically renew for successive three-year periods unless prior written notification is provided 90 days before the scheduled expiration date. Pursuant to the aforementioned agreement, FIF assumes strategic and operational management of the 17 Catholic secondary schools and the four schools of SPED and provides certain financial assistance to the schools. OCE has primary responsibility for, and FIF has oversight and approval responsibility over, school operations. The Secretary for Catholic Education/Chief Operating Officer of OCE reports directly to FIF’s Chief Executive Officer. All facilities continue to be owned by the Archdiocese of Philadelphia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying combined financial statements have been prepared on the accrual basis. Net assets and revenues, expenses, gains and losses are classified into categories, based on the existence or absence of donor-imposed restrictions. The categories are unrestricted, temporarily restricted and permanently restricted net assets.

Temporarily restricted net assets include gifts, trusts, income and gains which have either a time or use restriction but which may ultimately be expended. Since endowment investment income and net realized and unrealized gains and losses may eventually be spent, such earnings are recorded in the combined financial statements as temporarily restricted net assets, unless donor restricted for the corpus, until transferred to unrestricted net assets.

(Continued)

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Permanently restricted net assets include the historical dollar amounts of gifts, which require by donor restriction that the corpus be invested in perpetuity and only the investment income be made available for operations in accordance with donor restrictions. Investment income and net realized and unrealized gains and losses, if permanently restricted by the donor, are included in permanently restricted net assets.

Unrestricted net assets are free from donor-imposed restrictions and are all the remaining net assets of the High Schools.

2. Revenue Recognition

Tuition and other school fees collected for the upcoming school year are included in deferred revenue and recognized as revenue over the applicable school year. Registration fees and re-registration fees are recognized upon registration or re-registration since these fees are non-refundable.

Cash contributions and fundraising revenues are recorded as revenue when received. Unconditional promises to give are recorded at their fair value when management is notified of these gifts. Conditional promises to give are recognized when the conditions are substantially met. Donor restricted gifts which are received and expended within the same year are reported as unrestricted revenues. Gifts specified for the acquisition or construction of long-lived assets are reported as unrestricted net assets when the assets are placed in service.

Gifts of cash and other assets are recorded as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restriction.

Contributed services is recorded as the value of services performed by members of religious communities, based on lay equivalent salaries of personnel performing similar duties less the stipend and benefit payments and faculty residence expenses paid for religious personnel. The value of contributed services is included as revenue and, correspondingly, charged as expense.

3. Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Cash and Cash Equivalents, Including Amounts Held by Affiliate

Cash and cash equivalents represent demand deposits and other investments with an original maturity date of three months or less. The carrying amount approximates fair value. At June 30, 2015, the High Schools have cash balances on deposit with financial institutions that exceed the balance insured by the Federal Deposit Insurance Corporation ("FDIC") of \$250,000. The High Schools have not experienced any losses in such accounts.

5. Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based upon management's judgment, including such factors as prior collection history and the length of time a receivable is past due. The High Schools write off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

6. Other Receivables

At June 30, 2015 and 2014, respectively, the High Schools had a receivable of \$187,500 and \$9,616 due from FIF, which is included in other receivables.

7. Beneficial Interest in Financially Inter-related Organization

Beneficial interest in financially inter-related organization includes the net assets of the Trustees of Roman Catholic High School, a separate corporation identified as a financially inter-related organization to the High Schools. It also includes the net assets of the Friends of Father Judge High School, a separate corporation identified as a financially inter-related organization to the High Schools.

8. Investments

On April 30, 2015, Trustee Accounts previously held in the Non-Pension Assets Portfolio (the "NPAP") were liquidated and re-invested with two publicly traded SEI Catholic Values public mutual funds. The Catholic Values Equity Fund and the Catholic Values Fixed Income Fund ("Catholic Values Funds") provide Catholic institutions with high quality products that align with their core values, without sacrificing diversification or return potential. Specifically, the funds align with the investment directives set forth by the United States Conference of Catholic Bishops ("USCCB"). The Archdiocese of Philadelphia appointed SEI Private Trust Company to act as custodian (the "Custodian") of the Trustee Accounts. The investments in the Catholic Values Funds and Trustee Accounts are reported at fair value.

Realized gains and losses are reported to the participant monthly. Gains and losses created at the participant level due to sales are recorded in the specific participant accounts. Unrealized gains and losses are included in the statements of activities and changes in net assets as net appreciation or depreciation in the fair value of investments.

(Continued)

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Property and Equipment

Property and equipment are stated at cost, while donated assets are stated at fair market value on the date of donation. Depreciation has been provided by the straight-line method over the estimated useful lives of the related assets as follows:

Land improvements	10-20 years
Building (new construction)	20-40 years
Building improvements	5-20 years
Leasehold improvements	5-20 years
Furniture and fixtures	5-20 years
Vehicles	10 years

Roman Catholic High School's property and equipment are owned by the Trustees of Roman Catholic High School. Building and land improvements and purchases of furniture and fixtures for this facility are recorded as leasehold improvements.

10. Incurred but Not Reported Medical Claims

The combined statements of financial position include self-insurance liabilities with respect to the medical, prescription drug and dental insurance programs as of June 30, 2015. These obligations represent an estimate of the expected ultimate cost for claims incurred but not paid ("IBNP"). Liabilities for medical, prescription drug and dental benefits were estimated based on the Development Method. The underlying principle of the Development Method is that the progression of claim payment follows runoff patterns that are assumed to remain stable over time. Independence Blue Cross ("IBC") provided claim data summarized by the incurred and paid period. The results, produced by applying the Development Method to these data, were then adjusted for months where data were deemed non-credible. These adjustments were made using the Projection Method, which is based on the change in costs per exposure unit over time. The estimate is based on the last 48 months of incurred and paid claims ended on June 30, 2015.

11. Functional Expenses

All expenses relate to the operation and maintenance of the High Schools.

12. Concentrations of Credit Risk

Financial instruments which potentially subject the institution to concentration of credit risk consist principally of temporary cash investments and parental receivables. Management places its temporary cash investments with high credit quality financial institutions. Concentration of credit risk with respect to parental receivables is limited due to the large number of parents; however, management evaluates each of these credit risks and establishes an appropriate allowance for doubtful accounts.

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE C - PLEDGES RECEIVABLE, NET

A summary of pledges receivable is as follows at June 30, 2015 and 2014:

	2015	2014
Less than one year	\$ 402,211	\$ 72,200
One year to five years	501,700	124,499
	903,911	196,699
Less: allowance for doubtful accounts	(50,225)	(3,930)
Less: discount*	(24,218)	(4,352)
	\$ 829,468	\$ 188,417

* The discount rate used was 2%.

NOTE D - INVESTMENTS

The investments held at SEI are reported at fair value and consist of the following:

Catholic Values Equity Fund (or "fund") - Invests in common stocks and is managed by SEI.

Catholic Values Fixed Income Fund (or "fund") - Invests in mutual funds, corporate obligations, United States Treasury obligations and municipal obligations and is managed by SEI.

Liquidity Sub-Account (or "fund") - Investments are liquid in nature and it invests in short-duration U.S. government bonds.

Account holders have the option of six asset classifications in which to invest. The options include a short-duration U.S. government bond fund, a 100% fixed income bond fund and four equity funds with varying fixed income to equity mixes of 30/70, 50/50, 60/40 or 70/30.

(Continued)

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE D - INVESTMENTS - Continued

At June 30, 2015 and 2014, the High Schools' investments are summarized and classified as follows:

<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Investments in SEI Catholic Values Funds	\$ (5,481)	\$ 22,414,790	\$ 33,502,277	\$ 55,911,586
Money market funds	4,904	44,967	36,440	86,311
Mutual funds	679,184	315,359	223,808	1,218,351
Common stocks	44,247	119,187	-	163,434
Debt securities	<u>-</u>	<u>14,747</u>	<u>-</u>	<u>14,747</u>
	<u>\$ 722,854</u>	<u>\$ 22,909,050</u>	<u>\$ 33,762,525</u>	<u>\$ 57,394,429</u>
<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Archdiocese of Philadelphia				
Non-Pension Assets Portfolio	\$ 326,516	\$ 23,453,922	\$ 33,350,626	\$ 57,131,064
Money market funds	29,738	51,280	3,500	84,518
Mutual funds	671,422	325,089	137,041	1,133,552
Common stocks	67,099	132,218	-	199,317
Debt securities	<u>-</u>	<u>21,472</u>	<u>-</u>	<u>21,472</u>
	<u>\$ 1,094,775</u>	<u>\$ 23,983,981</u>	<u>\$ 33,491,167</u>	<u>\$ 58,569,923</u>

Prior to April 30, 2015, the investment in the Trustee Accounts consisted of investments in the NPAP and other investment accounts. For administrative and other needs, the Archdiocese of Philadelphia formed the NPAP to pool together certain investments in order to more efficiently manage the investments of various entities and related organizations within the Archdiocese of Philadelphia. The investments in the NPAP were held by a custodian and were managed based on sub-accounts as follows:

Equity Sub-Account (or "fund") - Invested in common stocks and was managed by multiple investment managers.

Fixed Income Sub-Account (or "fund") - Invested in mutual funds, corporate obligations, United States Treasury obligations and municipal obligations and was managed by multiple investment managers.

Liquidity Sub-Account (or "fund") - Investments were liquid in nature and were used to buy and sell units of the equity and fixed income funds or for expected short-term needs.

The Trustee Accounts and Investments in SEI Catholic Values Funds are unitized on a periodic basis to allow for the investment, at unit value, by entities in the NPAP. The High Schools' investment in the Trustee Accounts is stated at unit value.

The Investment Committee of the Archdiocese of Philadelphia has primary responsibility for determining the asset investment allocations to be used. Management is responsible for ensuring that asset investment allocations among the funds are maintained as determined by the Investment Committee of the Archdiocese of Philadelphia.

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE E - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the High Schools believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair value measurements of investments in entities that calculate the net asset value (“NAV”) per share or its equivalent as of June 30, 2015 and 2014 are as follows:

	Fair value		Unfunded	Redemption	Redemption
	2015	2014	commitments	frequency	notice period
Archdiocese of Philadelphia NPAP ^(a)	\$ -	\$ 57,131,064	\$ -	Daily	1 day

^(a) A pooled investment portfolio comprised of equity and fixed income securities. The primary objective of the NPAP was preservation of capital while reducing, to the greatest extent possible, the possibility of loss.

(Continued)

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE E - FAIR VALUE MEASUREMENTS - Continued

The investment strategy and long-term asset allocation for the NPAP took into consideration the specific spending requirements and the present and future needs of the Archdiocese of Philadelphia and its respective participating Ecclesiastical Organizations. Therefore, the desired minimum rate of return was equal to the Consumer Price Index ("CPI") plus three percent (3%) on an annualized basis. The fair values were estimated using the NAV per share of the investments.

The following table presents the fair values of the investments held by the High Schools by level within the fair value hierarchy as of June 30, 2015 and 2014:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
<u>2015</u>				
Assets				
Investments				
Investments in SEI Catholic				
Values Funds	\$ 55,911,586	\$ -	\$ -	\$ 55,911,586
Money market funds	-	86,311	-	86,311
Mutual funds	1,218,351	-	-	1,218,351
Common stocks	163,434	-	-	163,434
Debt securities	<u>14,747</u>	<u>-</u>	<u>-</u>	<u>14,747</u>
Total assets at June 30, 2015	<u>\$ 57,308,118</u>	<u>\$ 86,311</u>	<u>\$ -</u>	<u>\$ 57,394,429</u>
<u>2014</u>				
Assets				
Investments				
Archdiocese of Philadelphia NPAP	\$ -	\$ 57,131,064	\$ -	\$ 57,131,064
Money market funds	84,518	-	-	84,518
Mutual funds	1,133,552	-	-	1,133,552
Common stocks	199,317	-	-	199,317
Debt securities	<u>21,472</u>	<u>-</u>	<u>-</u>	<u>21,472</u>
Total assets at June 30, 2014	<u>\$ 1,438,859</u>	<u>\$ 57,131,064</u>	<u>\$ -</u>	<u>\$ 58,569,923</u>

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment and accumulated depreciation at June 30, 2015 and 2014 consist of:

	2015	2014
Land	\$ 6,383,642	\$ 6,383,642
Land improvements	12,978,129	12,594,022
Building	84,700,924	84,393,358
Building improvements	43,060,057	40,596,735
Leasehold improvements	5,751,544	5,505,651
Furniture and fixtures	15,000,141	14,729,563
Vehicles	253,228	253,228
Work in progress	117,547	-
	168,245,212	164,456,199
Accumulated depreciation	<u>(57,383,737)</u>	<u>(50,155,383)</u>
Property and equipment, net	<u>\$ 110,861,475</u>	<u>\$ 114,300,816</u>

Depreciation expense was \$6,300,933 and \$6,178,500 for the years ended June 30, 2015 and 2014, respectively.

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2015 and 2014, temporarily restricted net assets are available for the following purposes:

	2015	2014
Tuition assistance for all schools	\$ 3,327,520	\$ 3,863,625
Tuition assistance for specific schools	4,359,069	5,014,052
Property, plant and equipment for Roman Catholic High School, held by Trustees	5,809,537	6,146,651
Tuition assistance/operations/improvements for specific schools	551,969	552,603
Operations and improvements for specific schools	2,449,119	2,902,666
Accumulated earnings in excess of spending of endowments		
Tuition assistance for all schools	1,940,466	2,129,031
Tuition assistance for specific schools	225,577	187,425
Operations for Roman Catholic High School, held by Trustees	408,248	408,805
Operations and improvements for all schools	16,530,775	17,200,012
Other for specific schools	4,279	4,764
Total	<u>\$ 35,606,559</u>	<u>\$ 38,409,634</u>

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE H - PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2015 and 2014, income from permanently restricted net assets is available for the following purposes:

	2015	2014
Tuition assistance for all schools	\$ 7,264,605	\$ 7,116,125
Tuition assistance for specific schools	1,962,229	1,852,344
Operations for Roman Catholic High School, held by Trustees	1,303,260	1,303,260
Operations and improvements for all schools	25,931,693	25,931,693
Other for specific schools	28,100	28,100
 Total	 \$ 36,489,887	 \$ 36,231,522

NOTE I - ENDOWMENTS

The High Schools' endowments consist of donor-restricted endowment funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

For the majority of the endowments, the donor has directed how the earnings are to be used. When documentation does not provide specific direction, the High Schools follow the Commonwealth of Pennsylvania Act 141.

1. Interpretation of Relevant Law

In accordance with Commonwealth of Pennsylvania Act 141, and unless directed otherwise by the donor, the High Schools classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor-gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the High Schools in a manner consistent with the standard of prudence prescribed by relevant law. The High Schools do not release any portion of the permanently restricted funds. Pennsylvania law permits the Archdiocese of Philadelphia to release a percentage, which is elected annually, of the market value of its endowment funds into unrestricted income. The spending rate percentage, between 2% and 7%, is applied to the three-year average of the market value of the endowment funds' assets.

(Continued)

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE I - ENDOWMENTS - Continued

2. Return Objectives and Risk Parameters

The High Schools have adopted investment policies established by the Archdiocese of Philadelphia's Investment Committee and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by their endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of plus 3% over the consumer price index while assuming a moderate level of investment risk. The High Schools expect their endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from that amount.

3. Spending Policy

In accordance with state law, net realized and unrealized gains on permanently restricted investments are included as temporarily restricted net assets, unless subject to donor restrictions for the corpus. Commonwealth of Pennsylvania law permits the High Schools to adopt a spending policy for endowment earnings, subject to certain limitations. The High Schools follow the total return concept of endowment investment and spending. Under this concept, a prudent amount of appreciation earned on the investments may be spent in the event that the interest and dividends earned are insufficient to meet that period's spending rate. The Archdiocese of Philadelphia's spending policy for the years ended June 30, 2015 and 2014 allowed for between a 2% and 7% draw of the three-year average market value of the permanently restricted endowments, unless directed otherwise by the donor.

4. Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as permanently restricted net assets. Deficiencies of this nature totaled \$-0- and \$91,421 as of June 30, 2015 and 2014, respectively. Such deficiencies are recorded as unrestricted net assets. Such deficiencies are recorded as unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

As of June 30, 2015 and 2014, \$36,489,887 and \$36,231,522, respectively, in donor-restricted endowment funds were recorded within permanently restricted net assets.

(Continued)

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE I - ENDOWMENTS - Continued

The High Schools had the following endowment activities during the years ended June 30, 2015 and 2014, delineated by net asset class. All endowment activities were donor-restricted:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2013	\$ -	\$ 13,925,597	\$ 35,596,293	\$ 49,521,890
Investment income	-	811,524	-	811,524
Net appreciation (realized and unrealized gains)	<u>-</u>	<u>6,299,828</u>	<u>521,563</u>	<u>6,821,391</u>
Total investment return	-	7,111,352	521,563	7,632,915
Contributions	-	2,000	113,666	115,666
Appropriation of endowment assets for expenditure	-	(1,367,448)	-	(1,367,448)
Change in financially inter-related organizations	-	229,076	-	229,076
Funds with deficiencies	<u>-</u>	<u>29,462</u>	<u>-</u>	<u>29,462</u>
Endowment net assets, June 30, 2014	-	19,930,039	36,231,522	56,161,561
Investment income	-	789,088	-	789,088
Net appreciation (realized and unrealized gains)	<u>-</u>	<u>130,303</u>	<u>148,480</u>	<u>278,783</u>
Total investment return	-	919,391	148,480	1,067,871
Contributions	-	66,179	109,885	176,064
Appropriation of endowment assets for expenditure	-	(1,805,707)	-	(1,805,707)
Change in financially inter-related organizations	-	(557)	-	(557)
Funds with deficiencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, June 30, 2015	<u>\$ -</u>	<u>\$ 19,109,345</u>	<u>\$ 36,489,887</u>	<u>\$ 55,599,232</u>

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE J - RELATED PARTY TRANSACTIONS

As of June 30, 2015 and 2014, amounts due from related organizations consisted of the following:

	2015	2014
Office of Catholic Education - Administrative Account	\$ 13,367	\$ 15,830
Schools of Special Education	26,490	25,186
	\$ 39,857	\$ 41,016

As of June 30, 2015 and 2014, amounts due to related organizations consisted of the following:

	2015	2014
Office of Catholic Education - Administrative Account	\$ 33,000	\$ 17,024
Roman Catholic Alumni Association	159,000	159,000
Office for Financial Services	285,879	301,746
Schools of Special Education	-	50,000
Other	65,000	12,017
	\$ 542,879	\$ 539,787

Although there exists no formalized repayment terms, these amounts are typically repaid during the subsequent fiscal year.

During the fiscal years ended June 30, 2015 and 2014, the High Schools entered into transactions with the following related parties:

- The Archdiocese of Philadelphia's Property and Liability Insurance Fund provides insurance for the High School Operations Account. Total premiums paid for fiscal years 2015 and 2014 were \$1,085,911 and \$1,000,102, respectively.
- The High School Operations Account paid \$203,000 and \$200,000 in fiscal years 2015 and 2014, respectively, to Information Technology Services for support of the computer systems.
- The High School Operations Account paid \$3,399,997 and \$2,820,000 in fiscal years 2015 and 2014, respectively, to the Office of Catholic Education for administrative costs.

(Continued)

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE J - RELATED PARTY TRANSACTIONS - Continued

- The High School Operations Account paid \$309,616 and \$281,986 in fiscal years 2015 and 2014, respectively, to the Office of Catholic Education for marketing costs.
- The High Schools paid \$49,000 and \$48,000 in fiscal years 2015 and 2014, respectively, to the Office for Financial Services for administrative costs associated with capital projects and legal services.

Notes Payable

On June 1, 2012, the Archdiocese of Philadelphia and related entities entered into several Term Loan Agreements with participating Archdiocesan entities to retire outstanding external debt obligations. OCE's loans were related to the construction of Bishop Shanahan High School and Pope John Paul II High School.

On June 1, 2012, OCE entered into term loan agreements with a three-year maturity with the following:

Office for Financial Services ("OFS")	\$ 3,000,000
Catholic Cemeteries Office ("CCO")	3,000,000
Catholic Health Care Services ("CHCS") as Administrative Agent	71,357,582

CHCS served as Administrative Agent for Catholic Health Care Services, Catholic Charities (a.k.a. Catholic Social Services), St. John's Orphan Asylum, Don Guanella Village, St. Edmond's Home for Children, and Divine Providence Village.

On June 27, 2014, the loan agreements were amended to extend the maturity date and to settle certain amounts due to the entities. A new term loan agreement was established with the Trust and Loan Fund of the Archdiocese of Philadelphia as administered by OFS in the amount of \$4,200,000. The loans carry a fixed interest rate of 4% maturing on June 1, 2042.

(Continued)

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE J - RELATED PARTY TRANSACTIONS - Continued

The outstanding debt obligations at June 30, 2015 and 2014 are as follows:

	2015	2014
Office for Financial Services	\$ 2,830,016	\$ 2,887,264
Trust and Loan Fund of the Archdiocese of Philadelphia	4,116,724	4,200,000
Catholic Cemeteries Office	2,830,016	2,887,264
Catholic Health Care Services of the Archdiocese of Philadelphia	45,953,084	46,882,655
Catholic Charities of the Archdiocese of Philadelphia a/k/a Catholic Social Services	8,606,018	8,780,106
St. John's Orphan Asylum, a/k/a St. Francis Homes for Boys d/b/a St. Francis-St. Joseph Homes for Children	536,296	547,089
Divine Providence Village	260,867	266,200
 Total notes payable	 \$ 65,133,021	 \$ 66,450,578

The loans are collateralized by a first priority mortgage encumbering high school properties. In addition, the Archdiocese of Philadelphia pledges the High School revenue associated with these specific schools.

The principal payments relating to the notes payable to Archdiocesan entities are as follows:

Fiscal year ending 2016	\$ 922,557
Fiscal year ending 2017	1,412,598
Fiscal year ending 2018	1,469,954
Fiscal year ending 2019	1,529,640
Fiscal year ending 2020	1,591,750
Thereafter	58,206,522
 Total notes payable	 \$ 65,133,021

NOTE K - EMPLOYEE BENEFITS

1. Vacation

All full-time lay office and maintenance employees, upon completion of one full year of service, are eligible for paid vacations. The policy provides for compensated absences at varying amounts based on years of service.

(Continued)

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE K - EMPLOYEE BENEFITS - Continued

2. Lay Employees' Retirement Plan - Frozen Effective June 30, 2014

Through June 30, 2014, the eligible lay employees of the High Schools were covered under the Archdiocese of Philadelphia Lay Employees' Retirement Plan ("LERP"), which is a defined benefit pension plan that covered substantially all lay employees, once age and service requirements were met, of the Archdiocese of Philadelphia and its related ecclesiastical entities, institutions and parishes. For financial reporting purposes within these combined financial statements, the LERP is accounted for as a multiemployer plan. On June 30, 2014, the Archdiocese of Philadelphia froze the LERP. All active employees as of the freeze date retained benefits they had earned through June 30, 2014. After the date of the freeze, accrued pension benefits do not increase for additional service or increases in pay. The plan is administered by the trustees of the plan.

The High Schools made annual contributions to the plan at an average rate of 4.0% and 7.5%, respectively, of the salaries of the employees for the years ended June 30, 2015 and 2014. The contribution was \$2,549,180 and \$2,662,864, respectively, for the years ended June 30, 2015 and 2014.

3. Archdiocese of Philadelphia 403(b) Retirement Plan

Effective July 1, 2014, the Archdiocese of Philadelphia established a 403(b) defined contribution plan. Under the 403(b) plan and subject to statutory limits, all employees at least 18 years of age are immediately eligible to make voluntary deferred salary contributions into the 403(b) plan.

Employer contributions, which cover employees meeting the eligibility requirements below, are discretionary. The following are the eligibility requirements for employer contributions:

Grandfathered Employees - Any employee who was accruing benefits as an active participant in the LERP as of its freeze date of June 30, 2014 is a grandfathered employee and is eligible to receive employer contributions.

Non-Grandfathered Employees - Non-grandfathered employees are eligible to receive the employer contributions generally upon completion of 1,000 hours of service in the relevant measurement period.

Vesting in employer contributions is immediate for grandfathered employees who have completed 12 months of service as of June 30, 2014. Vesting in employer contributions for all other employees will take place after the completion of 12 months of service. In fiscal year 2015, the Archdiocese of Philadelphia employer contribution rate was 4.5% of base salary for eligible employees and there was a 0.5% charge for administration. The contributions by the High Schools into the 403(b) plan totaled \$1,745,591 and the administrative charge totaled \$194,095 for the year ended June 30, 2015.

(Continued)

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE K - EMPLOYEE BENEFITS - Continued

4. Non-pension Retirement Benefits

Lay teachers are provided postretirement benefits if they meet certain conditions. Pursuant to ASC 715, *Compensation-Retirement*, such postretirement benefits are recognized on the accrual basis; that is, over the estimated service life of the employee.

In accordance with the agreement between the Association of Catholic Teachers Local Union No. 1776 National Association of Catholic Teachers and the Secondary School System of the Archdiocese of Philadelphia (the "Teachers' Agreement"), a teacher who has twenty-five (25) years of service and who is between the ages of fifty-nine and a half (59.5) and sixty-five (65), and is eligible for and elects to begin receiving an early retirement pension under the terms of the Archdiocese of Philadelphia Lay Employees' Retirement Plan, shall have the option at the time of his/her retirement of having the full cost of the medical insurance premium paid to a maximum of \$10,000 per year, or of receiving \$5,000 per year as a supplement to his/her early retirement pension. A teacher who has twenty-five (25) years of service and who is between the ages of fifty-five (55) and sixty-five (65), and is eligible for and elects to begin receiving a disability retirement pension under the terms of the Archdiocese of Philadelphia Lay Employees' Retirement Plan, shall have the option at the time of his/her retirement of having the full cost of the medical insurance premium paid to a maximum of \$10,000 per year, or of receiving \$5,000 per year as a supplement to his/her early retirement pension. These payments shall cease at the beginning of the month the teacher reaches the normal retirement age as defined by the Lay Employees' Retirement Plan. The teacher shall have the option of changing his/her election of coverage one time during the period in which the teacher retires and subsequently attains the normal retirement age.

In the Teachers' Agreement, each teacher is entitled to twelve (12) sick days with full pay during each school year, which could be accumulated indefinitely prior to August 31, 2012. Beginning September 1, 2012, sick days may only be accumulated up to three hundred (300) days. In the event that a teacher has already accumulated more than three hundred (300) days, the teacher will retain the accumulated sick days but cannot accumulate additional days until all days over three hundred (300) have been used.

Upon retirement, a teacher may redeem all unused sick days up to a maximum of 200 days at the rate of \$50 per day. For teachers hired effective September 1, 1992 through August 31, 1994, the maximum number of unused sick days redeemable upon retirement will be 100. For teachers hired beginning with the 1994-95 school year, the maximum number of unused sick days redeemable upon retirement will be 75.

OCE follows ASC 715-20, which requires that the statement of financial position reflect the funded status of the non-pension retirement benefits. The funded status of the plan is measured as the difference between the plan assets at fair value, if any, and the accumulated postretirement benefit obligation.

(Continued)

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE K - EMPLOYEE BENEFITS - Continued

Net Periodic Cost

The components of net periodic benefit costs are as follows:

	2015	2014
Service cost	\$ 39,436	\$ 41,248
Interest cost	78,418	103,753
Amortization of		
Net loss	217,916	278,591
Prior service credit	(18,969)	(18,969)
	\$ 316,801	\$ 404,623

Obligations and Funded Status

The following shows changes in the benefit obligation, plan assets and funded status:

	2015	2014
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	703,892	510,497
Plan participants' contributions	10,770	311
Benefit payments (expected)	(714,662)	(510,808)
Fair value of plan assets at end of year	\$ -	\$ -
Funded status		
Funded status at end of year	\$ (2,360,604)	\$ (3,310,109)

(Continued)

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE K - EMPLOYEE BENEFITS - Continued

	2015	2014
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 3,310,109	\$ 3,443,758
Service cost	39,436	41,248
Interest cost	78,418	103,752
Actual plan participants' contributions	10,770	311
Actual (loss) gain	(363,467)	231,848
Actual benefit paid	(714,662)	(510,808)
Benefit obligation at end of year	\$ 2,360,604	\$ 3,310,109
Amounts recognized in unrestricted net assets		
Net actuarial loss	\$ 2,819,382	\$ 3,400,765
Prior service credit	(206,533)	(225,502)
	\$ 2,612,849	\$ 3,175,263
Information for plans with accumulated benefit obligation in excess of plan assets		
Projected benefit obligation	\$ 2,360,604	\$ 3,310,109
Accumulated benefit obligation	2,360,604	3,310,109
Fair value of plan assets	-	-

The estimated amount that will be amortized from unrestricted net assets to net periodic benefit cost is as follows:

	2015	2014
Net loss	\$ 201,507	\$ 261,034
Prior service credit	(18,969)	(18,969)

Weighted average assumptions used to determine benefit obligation at year end:

	2015	2014
Discount rate	3.50%	3.00%
Healthcare cost trend	7.75%	8.25%
Ultimate rate of increase	5.00%	5.00%
Year that ultimate rate is attained	2022	2022

(Continued)

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE K - EMPLOYEE BENEFITS - Continued

A one-percentage point change in amended healthcare cost trend rates would have the following effect:

	1% point increase	1% point decrease
Effect on accumulated postretirement benefit obligation	\$ 1,909	\$ 1,588

Plan Assets

There are no plan assets.

Cash Flows and Estimated Future Benefit Payments

	2015
Employer contributions June 30, 2016 (expected)	\$ 495,033
Expected benefit payments	
June 30, 2016	\$ 495,000
June 30, 2017	406,000
June 30, 2018	285,000
June 30, 2019	242,000
June 30, 2020	194,000
June 30, 2021 - 2024	530,000

NOTE L - LEASE COMMITMENTS

The High Schools have entered into lease agreements for equipment and vehicles. The following is a schedule of future minimum payments required under operating leases that have lease terms in excess of one year as of June 30, 2014:

2016	\$ 475,615
2017	329,099
2018	198,308
2019	95,320
2020 and thereafter	42,489
	\$ 1,140,831

Lease expenses were \$425,626 and \$539,950 for the years ended June 30, 2015 and 2014, respectively.

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE M - CONTRIBUTED SERVICES

	2015	2014
Salaries and benefits - lay equivalent value of religious services	\$ 5,514,799	\$ 5,541,184
Expended for religious services		
Salaries, related employee benefits and faculty house expenses	(4,069,864)	(4,316,649)
Total contributed services	\$ 1,444,935	\$ 1,224,535

NOTE N - INCOME TAXES

As part of the Archdiocese of Philadelphia, OCE, which includes the High Schools, has received exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code. The High Schools follow the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or derecognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The High Schools do not believe their combined financial statements include any material uncertain tax positions.

As of June 30, 2015, the High Schools’ tax years ended June 30, 2012 through June 30, 2015 for federal tax jurisdiction remain open to examination.

NOTE O - SUBSEQUENT EVENTS

Management evaluated the High Schools’ June 30, 2015 combined financial statements for subsequent events through December 7, 2015, the date which the combined financial statements were available to be issued. Management is not aware of any subsequent event which would require recognition or disclosure in the combined financial statements.

SUPPLEMENTAL INFORMATION

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2015

	Operations Account	Presidents' Accounts	Eliminations	Total
ASSETS				
Cash and cash equivalents, including amounts held by affiliate	\$ 15,416,332	\$ 13,435,819	\$ -	\$ 28,852,151
Parental tuition and fees receivable, less allowance for doubtful accounts of \$5,137,704 and \$421,708, respectively	2,838,088	561,052	-	3,399,140
Due from related organizations	39,857	-	-	39,857
Accounts receivable - intrafund	3,594,351	36,965	(3,631,316)	-
Pledges receivable, net	-	829,468	-	829,468
Other receivables	561,205	502,521	-	1,063,726
Prepaid expenses and other assets	904,810	523,948	-	1,428,758
Beneficial interest in financially inter-related organizations	7,521,045	684,511	-	8,205,556
Investments	55,544,139	1,850,290	-	57,394,429
Property and equipment, net	99,119,359	11,742,116	-	110,861,475
Total assets	<u>\$185,539,186</u>	<u>\$ 30,166,690</u>	<u>\$ (3,631,316)</u>	<u>\$212,074,560</u>
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 2,016,731	\$ 2,088,424	\$ -	\$ 4,105,155
Accrued payroll	6,389,038	-	-	6,389,038
Accrued non-pension retirement benefits	2,360,604	-	-	2,360,604
Accrued vacation	513,123	112,904	-	626,027
Incurred but not reported medical claims	783,000	-	-	783,000
Due to related organizations	383,879	159,000	-	542,879
Accounts payable - intrafund	36,965	3,594,351	(3,631,316)	-
Deferred revenue	2,029,012	3,094,087	-	5,123,099
Notes payable to Archdiocese of Philadelphia	65,133,021	-	-	65,133,021
Total liabilities	<u>79,645,373</u>	<u>9,048,766</u>	<u>(3,631,316)</u>	<u>85,062,823</u>
Net assets:				
Unrestricted	42,350,353	12,564,938	-	54,915,291
Temporarily restricted	29,043,902	6,562,657	-	35,606,559
Permanently restricted	34,499,558	1,990,329	-	36,489,887
Total net assets	<u>105,893,813</u>	<u>21,117,924</u>	<u>-</u>	<u>127,011,737</u>
Total liabilities and net assets	<u>\$185,539,186</u>	<u>\$ 30,166,690</u>	<u>\$ (3,631,316)</u>	<u>\$212,074,560</u>

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2014

	Operations Account	Presidents' Accounts	Eliminations	Total
ASSETS				
Cash and cash equivalents, including amounts held by affiliate	\$ 10,031,184	\$ 12,563,128	\$ -	\$ 22,594,312
Parental tuition and fees receivable, less allowance for doubtful accounts of \$4,712,731 and \$395,148, respectively	3,886,102	773,120	-	4,659,222
Due from related organizations	41,016	-	-	41,016
Accounts receivable - intrafund	1,723,900	33,373	(1,757,273)	-
Pledges receivable, net	-	188,417	-	188,417
Other receivables	393,081	401,003	-	794,084
Prepaid expenses and other assets	2,473,324	562,304	-	3,035,628
Beneficial interest in financially inter-related organizations	7,858,716	782,726	-	8,641,442
Investments	56,764,777	1,805,146	-	58,569,923
Property and equipment, net	102,503,422	11,797,394	-	114,300,816
Total assets	<u>\$185,675,522</u>	<u>\$ 28,906,611</u>	<u>\$ (1,757,273)</u>	<u>\$212,824,860</u>
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 1,463,837	\$ 3,504,635	\$ -	\$ 4,968,472
Accrued payroll	6,516,458	-	-	6,516,458
Accrued non-pension retirement benefits	3,310,109	-	-	3,310,109
Accrued vacation	500,834	78,184	-	579,018
Due to related organizations	380,787	159,000	-	539,787
Accounts payable - intrafund	33,373	1,723,900	(1,757,273)	-
Deferred revenue	1,877,015	2,313,357	-	4,190,372
Notes payable to Archdiocese of Philadelphia	66,450,578	-	-	66,450,578
Total liabilities	<u>80,532,991</u>	<u>7,779,076</u>	<u>(1,757,273)</u>	<u>86,554,794</u>
Net assets:				
Unrestricted	40,113,907	11,515,003	-	51,628,910
Temporarily restricted	30,677,546	7,732,088	-	38,409,634
Permanently restricted	34,351,078	1,880,444	-	36,231,522
Total net assets	<u>105,142,531</u>	<u>21,127,535</u>	<u>-</u>	<u>126,270,066</u>
Total liabilities and net assets	<u>\$185,675,522</u>	<u>\$ 28,906,611</u>	<u>\$ (1,757,273)</u>	<u>\$212,824,860</u>

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2015

	Operations Account				Presidents' Accounts				Eliminations	Total				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Revenues:														
Tuition and fees funded by:														
Parents and guardians	\$ 75,617,798	\$ -	\$ -	\$ 75,617,798	\$ 17,274,330	\$ -	\$ -	\$ 17,274,330	\$ -	\$ 92,892,128	\$ -	\$ -	\$ 92,892,128	
Third-party organizations	3,614,290	-	-	3,614,290	-	-	-	-	-	3,614,290	-	-	3,614,290	
Tax credit programs	3,718,190	-	-	3,718,190	-	-	-	-	-	3,718,190	-	-	3,718,190	
Office of Catholic Education	617,392	-	-	617,392	-	-	-	-	-	617,392	-	-	617,392	
School and alumni organizations	7,583,186	-	-	7,583,186	-	-	-	-	-	7,583,186	-	-	7,583,186	
Summer School	164,904	-	-	164,904	-	-	-	-	-	164,904	-	-	164,904	
Total	91,315,760	-	-	91,315,760	17,274,330	-	-	17,274,330	-	108,590,090	-	-	108,590,090	
Less:														
Scholarship and tuition assistance eliminations	-	-	-	-	-	-	-	-	8,145,139	8,145,139	-	-	8,145,139	
Tuition reductions	2,611,569	-	-	2,611,569	-	-	-	-	-	2,611,569	-	-	2,611,569	
Net tuition and fees	88,704,191	-	-	88,704,191	17,274,330	-	-	17,274,330	(8,145,139)	97,833,382	-	-	97,833,382	
Student activities	-	-	-	-	2,545,415	4,902	-	2,550,317	-	2,545,415	4,902	-	2,550,317	
Athletics	-	-	-	-	2,223,497	-	-	2,223,497	-	2,223,497	-	-	2,223,497	
Resale items income - net of disbursements	-	-	-	-	353,311	-	-	353,311	-	353,311	-	-	353,311	
Contributions and donations	205,261	1,330,000	-	1,535,261	9,911,286	2,966,664	109,885	12,987,835	-	10,116,547	4,296,664	109,885	14,523,096	
Other	1,924,909	-	-	1,924,909	1,645,528	89,131	-	1,734,659	-	3,570,437	89,131	-	3,659,568	
Fund-raising - net of disbursements	-	-	-	-	1,222,733	140,797	-	1,363,530	-	1,222,733	140,797	-	1,363,530	
Interest and investment income	154,959	819,202	-	974,161	83,853	101,035	-	184,888	-	238,812	920,257	-	1,159,049	
Contributed services	1,337,103	-	-	1,337,103	107,832	-	-	107,832	-	1,444,935	-	-	1,444,935	
Total other operating revenues	3,622,232	2,149,202	-	5,771,434	18,093,455	3,302,529	109,885	21,505,869	-	21,715,687	5,451,731	109,885	27,277,303	
Net realized gains on investments	-	876,220	148,480	1,024,700	4,649	67,983	-	72,632	-	4,649	944,203	148,480	1,097,332	
Net change in unrealized gains on investments	-	(702,526)	-	(702,526)	(7,571)	(86,093)	-	(93,664)	-	(7,571)	(788,619)	-	(796,190)	
Total investment gains (losses)	-	173,694	148,480	322,174	(2,922)	(18,110)	-	(21,032)	-	(2,922)	155,584	148,480	301,142	
Funds with deficiencies	-	-	-	-	91,421	(91,421)	-	-	-	91,421	(91,421)	-	-	
Net assets released from restriction														
Satisfaction of purpose restrictions - CI.2000	1,546,800	(1,546,800)	-	-	-	-	-	-	-	1,546,800	(1,546,800)	-	-	
Satisfaction of purpose restrictions - Heritage of Faith	1,200,000	(1,200,000)	-	-	-	-	-	-	-	1,200,000	(1,200,000)	-	-	
Satisfaction of purpose restrictions - General	872,069	(872,069)	-	-	4,431,436	(4,431,436)	-	-	-	5,303,505	(5,303,505)	-	-	
Total revenues	95,945,292	(1,295,973)	148,480	94,797,799	39,887,720	(1,238,438)	109,885	38,759,167	(8,145,139)	127,687,873	(2,534,411)	258,365	125,411,827	
Expenses:														
Administration	12,337,831	-	-	12,337,831	8,926,521	-	-	8,926,521	-	21,264,352	-	-	21,264,352	
Scholarship and tuition assistance	-	-	-	-	8,145,139	-	-	8,145,139	(8,145,139)	-	-	-	-	
Instruction	41,694,320	-	-	41,694,320	4,942,937	-	-	4,942,937	-	46,637,257	-	-	46,637,257	
Operations and maintenance of plant	14,257,921	-	-	14,257,921	4,775,368	-	-	4,775,368	-	19,033,289	-	-	19,033,289	
Employee benefits	21,657,992	-	-	21,657,992	1,604,933	-	-	1,604,933	-	23,262,925	-	-	23,262,925	
Student activities	-	-	-	-	3,782,965	-	-	3,782,965	-	3,782,965	-	-	3,782,965	
Athletics	-	-	-	-	6,594,488	-	-	6,594,488	-	6,594,488	-	-	6,594,488	
Debt service	2,638,424	-	-	2,638,424	-	-	-	-	-	2,638,424	-	-	2,638,424	
Other	-	-	-	-	1,051,555	-	-	1,051,555	-	1,051,555	-	-	1,051,555	
Total expenses	92,586,488	-	-	92,586,488	39,823,906	-	-	39,823,906	(8,145,139)	124,265,255	-	-	124,265,255	
Change in net assets before other items	3,358,804	(1,295,973)	148,480	2,211,311	63,814	(1,238,438)	109,885	(1,064,739)	-	3,422,618	(2,534,411)	258,365	1,146,572	
Change in financially inter-related organizations	-	(337,671)	-	(337,671)	(167,222)	69,007	-	(98,215)	-	(167,222)	(268,664)	-	(435,886)	
Payment of operations deficits	100,000	-	-	100,000	(100,000)	-	-	(100,000)	-	-	-	-	-	
Other	(1,222,358)	-	-	(1,222,358)	1,253,343	-	-	1,253,343	-	30,985	-	-	30,985	
Change in net assets	2,236,446	(1,633,644)	148,480	751,282	1,049,935	(1,169,431)	109,885	(9,611)	-	3,286,381	(2,803,075)	258,365	741,671	
Net assets														
Beginning of year	40,113,907	30,677,546	34,351,078	105,142,531	11,515,003	7,732,088	1,880,444	21,127,535	-	51,628,910	38,409,634	36,231,522	126,270,066	
End of year	\$ 42,350,353	\$ 29,043,902	\$ 34,499,558	\$ 105,893,813	\$ 12,564,938	\$ 6,562,657	\$ 1,990,329	\$ 21,117,924	\$ -	\$ 54,915,291	\$ 35,606,559	\$ 36,489,887	\$ 127,011,737	

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2014

	Operations Account				Presidents' Accounts				Eliminations	Total			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:													
Tuition and fees funded by:													
Parents and guardians	\$ 75,083,205	\$ -	\$ -	\$ 75,083,205	\$ 15,666,884	\$ -	\$ -	\$ 15,666,884	\$ -	\$ 90,750,089	\$ -	\$ -	\$ 90,750,089
Third-party organizations	2,973,709	-	-	2,973,709	-	-	-	-	-	2,973,709	-	-	2,973,709
Tax credit programs	2,920,261	-	-	2,920,261	-	-	-	-	-	2,920,261	-	-	2,920,261
Office of Catholic Education	428,522	-	-	428,522	-	-	-	-	-	428,522	-	-	428,522
School and alumni organizations	7,045,650	-	-	7,045,650	-	-	-	-	-	7,045,650	-	-	7,045,650
Summer School	169,459	-	-	169,459	-	-	-	-	-	169,459	-	-	169,459
Total	88,620,806	-	-	88,620,806	15,666,884	-	-	15,666,884	-	104,287,690	-	-	104,287,690
Less:													
Scholarship and tuition assistance eliminations	-	-	-	-	-	-	-	-	7,140,127	7,140,127	-	-	7,140,127
Tuition reductions	1,804,018	-	-	1,804,018	-	-	-	-	-	1,804,018	-	-	1,804,018
Net tuition and fees	86,816,788	-	-	86,816,788	15,666,884	-	-	15,666,884	(7,140,127)	95,343,545	-	-	95,343,545
Student activities	-	-	-	-	2,369,214	6,160	-	2,375,374	-	2,369,214	6,160	-	2,375,374
Athletics	-	-	-	-	2,197,391	-	-	2,197,391	-	2,197,391	-	-	2,197,391
Resale items income - net of disbursements	-	-	-	-	404,209	(10,645)	-	393,564	-	404,209	(10,645)	-	393,564
Contributions and donations	131,070	1,403,902	-	1,534,972	9,283,347	2,261,884	113,666	11,658,897	-	9,414,417	3,665,786	113,666	13,193,869
Other	1,582,654	-	-	1,582,654	1,616,560	8,290	-	1,624,850	(10,977)	3,188,237	8,290	-	3,196,527
Fund-raising - net of disbursements	-	-	-	-	1,428,952	71,197	-	1,500,149	-	1,428,952	71,197	-	1,500,149
Interest and investment income	222,418	880,077	-	1,102,495	83,714	111,445	-	195,159	-	306,132	991,522	-	1,297,654
Contributed services	1,121,810	-	-	1,121,810	102,725	-	-	102,725	-	1,224,535	-	-	1,224,535
Total other operating revenues	3,057,952	2,283,979	-	5,341,931	17,486,112	2,448,331	113,666	20,048,109	(10,977)	20,533,087	4,732,310	113,666	25,379,063
Net realized gains on investments	-	3,265,836	521,563	3,787,399	31,199	23,425	-	54,624	-	31,199	3,289,261	521,563	3,842,023
Net change in unrealized gains on investments	-	3,491,701	-	3,491,701	94,061	102,363	-	196,424	-	94,061	3,594,064	-	3,688,125
Total investment gains	-	6,757,537	521,563	7,279,100	125,260	125,788	-	251,048	-	125,260	6,883,325	521,563	7,530,148
Funds with deficiencies	-	-	-	-	29,462	(29,462)	-	-	-	29,462	(29,462)	-	-
Net assets released from restriction													
Satisfaction of purpose restrictions - CI.2000	1,090,000	(1,090,000)	-	-	-	-	-	-	-	1,090,000	(1,090,000)	-	-
Satisfaction of purpose restrictions - Heritage of Faith	1,400,000	(1,400,000)	-	-	-	-	-	-	-	1,400,000	(1,400,000)	-	-
Satisfaction of purpose restrictions - General	959,828	(959,828)	-	-	2,817,110	(2,817,110)	-	-	-	3,776,938	(3,776,938)	-	-
Total revenues	93,324,568	5,591,688	521,563	99,437,819	36,124,828	(272,453)	113,666	35,966,041	(7,151,104)	122,298,292	5,319,235	635,229	128,252,756
Expenses:													
Administration	12,503,885	-	-	12,503,885	8,287,355	-	-	8,287,355	-	20,791,240	-	-	20,791,240
Scholarship and tuition assistance	-	-	-	-	7,140,127	-	-	7,140,127	(7,140,127)	-	-	-	-
Instruction	42,596,419	-	-	42,596,419	4,414,772	-	-	4,414,772	-	47,011,191	-	-	47,011,191
Operations and maintenance of plant	14,794,941	-	-	14,794,941	4,668,009	-	-	4,668,009	-	19,462,950	-	-	19,462,950
Employee benefits	20,395,065	-	-	20,395,065	1,311,413	-	-	1,311,413	-	21,706,478	-	-	21,706,478
Student activities	-	-	-	-	3,731,665	-	-	3,731,665	-	3,731,665	-	-	3,731,665
Athletics	-	-	-	-	6,459,539	-	-	6,459,539	-	6,459,539	-	-	6,459,539
Debt service	3,013,840	-	-	3,013,840	-	-	-	-	-	3,013,840	-	-	3,013,840
Other	-	-	-	-	731,888	-	-	731,888	-	731,888	-	-	731,888
Total expenses	93,304,150	-	-	93,304,150	36,744,768	-	-	36,744,768	(7,140,127)	122,908,791	-	-	122,908,791
Change in net assets before other items	20,418	5,591,688	521,563	6,133,669	(619,940)	(272,453)	113,666	(778,727)	(10,977)	(610,499)	5,319,235	635,229	5,343,965
Change in financially inter-related organizations	-	(108,037)	-	(108,037)	(228,074)	70,279	-	(157,795)	-	(228,074)	(37,758)	-	(265,832)
Payment of operations deficits	327,325	-	-	327,325	(327,325)	-	-	(327,325)	-	-	-	-	-
Change in amounts due to Office of Catholic Education for operations	-	-	-	-	2,962,112	-	-	2,962,112	(2,962,112)	-	-	-	-
Transfer of funds to (expense)/from income	290,000	-	-	290,000	(290,000)	-	-	(290,000)	-	-	-	-	-
Change in net assets	637,743	5,483,651	521,563	6,642,957	1,496,773	(202,174)	113,666	1,408,265	(2,973,089)	(838,573)	5,281,477	635,229	5,078,133
Net assets													
Beginning of year	39,476,164	25,193,895	33,829,515	98,499,574	10,018,230	7,934,262	1,766,778	19,719,270	2,973,089	52,467,483	33,128,157	35,596,293	121,191,933
End of year	\$ 40,113,907	\$ 30,677,546	\$ 34,351,078	\$ 105,142,531	\$ 11,515,003	\$ 7,732,088	\$ 1,880,444	\$ 21,127,535	\$ -	\$ 51,628,910	\$ 38,409,634	\$ 36,231,522	\$ 126,270,066