

Combined Financial Statements and Report of  
Independent Certified Public Accountants

**Archdiocese of Philadelphia**  
**Office of Catholic Education**  
**High Schools**

June 30, 2017 and 2016

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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, 2017 and 2016, 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**

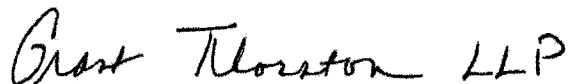
In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Archdiocese of Philadelphia, Office of Catholic Education High Schools as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for 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, 2017 and 2016 and the related combining statements of activities and changes in net assets for the years then ended are presented for purposes of additional analysis, rather than to present the financial position, results of operations, and cash flows of the individual entities, 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.

A handwritten signature in cursive script that reads "Grant Thornton LLP".

Philadelphia, Pennsylvania

December 5, 2017

Archdiocese of Philadelphia, Office of Catholic Education  
High Schools

**COMBINED STATEMENTS OF FINANCIAL POSITION**

June 30,

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents, including amounts held by affiliate	\$ 23,728,543	\$ 37,690,303
Parental tuition and fees receivable, less allowance for doubtful accounts of \$5,061,840 and \$4,717,286	3,326,654	3,155,020
Due from related organizations (Note J)	112,248	200,000
Pledges receivable, net (Note C)	580,854	793,297
Other receivables	1,005,636	672,623
Prepaid expenses and other assets	2,293,953	1,561,135
Beneficial interest in financially inter-related organizations	9,820,717	9,800,002
Investments (Note D)	77,700,184	54,465,139
Property and equipment, net (Note F)	111,658,899	111,100,784
 Total assets	 \$ 230,227,688	 \$ 219,438,303
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 3,959,201	\$ 3,754,133
Accrued payroll	6,835,753	6,709,593
Accrued non-pension retirement benefits (Note K)	2,100,704	2,488,300
Accrued vacation (Note K)	743,760	708,790
Incurred but not reported medical claims (Note B)	917,000	964,000
Due to related organizations (Note J)	444,241	431,244
Deferred revenue	11,594,685	9,091,701
Notes payable to Archdiocese of Philadelphia (Note J)	55,208,338	63,761,967
 Total liabilities	 81,803,682	 87,909,728
 Net assets:		
Unrestricted	63,115,689	60,770,253
Designated funds	4,634,908	1,821,855
Temporarily restricted (Note G)	40,218,426	32,394,303
Permanently restricted (Note H)	40,454,983	36,542,164
 Total net assets	 148,424,006	 131,528,575
 Total liabilities and net assets	 \$ 230,227,688	 \$ 219,438,303

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, 2017

	Unrestricted	Designated Funds	Temporarily restricted	Permanently restricted	Total
<b>Revenues:</b>					
Tuition and fees funded by:					
Parents and guardians	\$ 96,439,059	\$ -	\$ -	\$ -	\$ 96,439,059
Third-party organizations	5,041,256	-	-	-	5,041,256
Tax credit programs	5,703,700	-	-	-	5,703,700
Office of Catholic Education	663,352	-	-	-	663,352
School and alumni organizations	8,810,339	-	-	-	8,810,339
Summer School	174,387	-	-	-	174,387
Total	<u>116,832,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,832,093</u>
<b>Less:</b>					
Scholarship and tuition assistance eliminations	8,133,678	-	-	-	8,133,678
Tuition reductions	5,208,291	-	-	-	5,208,291
Net tuition and fees	<u>103,490,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,490,124</u>
Student activities	2,202,987	-	-	-	2,202,987
Athletics	2,322,693	-	-	-	2,322,693
Resale items income, net	313,522	-	-	-	313,522
Contributions and donations	9,005,632	-	7,478,184	3,827,991	20,311,807
Other	3,470,782	-	67,454	-	3,538,236
Fund-raising, net	1,166,277	-	-	-	1,166,277
Interest and investment income	301,445	-	1,111,409	3,170	1,416,024
Contributed services (Note M)	899,595	-	-	-	899,595
Total other operating revenues	<u>19,682,933</u>	<u>-</u>	<u>8,657,047</u>	<u>3,831,161</u>	<u>32,171,141</u>
Net realized gains on investments	72,285	-	335,966	15,197	423,448
Net change in unrealized gains on investments	(12,973)	-	5,953,349	3,331	5,943,707
Total investment gains	<u>59,312</u>	<u>-</u>	<u>6,289,315</u>	<u>18,528</u>	<u>6,367,155</u>
<b>Net assets released from restriction</b>					
Satisfaction of purpose restrictions - Catholic Life 2000	1,680,000	-	(1,680,000)	-	-
Satisfaction of purpose restrictions - Heritage of Faith	900,000	-	(900,000)	-	-
Satisfaction of purpose restrictions - General	5,047,400	-	(5,110,530)	63,130	-
Appropriation of designated funds for expenditure	2,381,838	(2,381,838)	-	-	-
Total revenues	<u>133,241,607</u>	<u>(2,381,838)</u>	<u>7,255,832</u>	<u>3,912,819</u>	<u>142,028,420</u>
<b>Expenses:</b>					
Administration	23,532,203	-	-	-	23,532,203
Instruction	47,707,136	-	-	-	47,707,136
Operations and maintenance of plant	18,462,157	-	-	-	18,462,157
Employee benefits	22,236,588	-	-	-	22,236,588
Student activities	3,620,853	-	-	-	3,620,853
Athletics	7,288,430	-	-	-	7,288,430
Debt service	2,377,189	-	-	-	2,377,189
Other	888,401	-	-	-	888,401
Total expenses	<u>126,112,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,112,957</u>
Change in net assets before other items	7,128,650	(2,381,838)	7,255,832	3,912,819	15,915,463
Change in financially inter-related organizations	183,106	-	(162,391)	-	20,715
Redesignation of net assets	(5,925,573)	5,194,891	730,682	-	-
Gain on sale of property	959,253	-	-	-	959,253
Change in net assets	<u>2,345,436</u>	<u>2,813,053</u>	<u>7,824,123</u>	<u>3,912,819</u>	<u>16,895,431</u>
<b>Net assets</b>					
Beginning of year	<u>60,770,253</u>	<u>1,821,855</u>	<u>32,394,303</u>	<u>36,542,164</u>	<u>131,528,575</u>
End of year	<u>\$ 63,115,689</u>	<u>\$ 4,634,908</u>	<u>\$ 40,218,426</u>	<u>\$ 40,454,983</u>	<u>\$ 148,424,006</u>

The accompanying notes are an integral part of this combined financial statement.

Archdiocese of Philadelphia, Office of Catholic Education  
High Schools

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended June 30, 2016

	Unrestricted	Designated Funds	Temporarily restricted	Permanently restricted	Total
<b>Revenues:</b>					
Tuition and fees funded by:					
Parents and guardians	\$ 95,955,563	\$ -	\$ -	\$ -	\$ 95,955,563
Third-party organizations	4,437,448	-	-	-	4,437,448
Tax credit programs	5,567,408	-	-	-	5,567,408
Office of Catholic Education	712,733	-	-	-	712,733
School and alumni organizations	7,181,306	-	-	-	7,181,306
Summer School	197,897	-	-	-	197,897
Total	<u>114,052,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,052,355</u>
<b>Less:</b>					
Scholarship and tuition assistance eliminations	8,131,679	-	-	-	8,131,679
Tuition reductions	3,637,690	-	-	-	3,637,690
Net tuition and fees	<u>102,282,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,282,986</u>
Student activities	2,418,920	-	-	-	2,418,920
Athletics	2,256,222	-	-	-	2,256,222
Resale items income, net	359,029	-	-	-	359,029
Contributions and donations	10,336,125	-	4,449,140	23,550	14,808,815
Other	4,621,083	-	33,415	-	4,654,498
Fund-raising, net	1,319,607	-	123,911	-	1,443,518
Interest and investment income	280,390	-	835,112	335	1,115,837
Contributed services (Note M)	1,531,143	-	-	-	1,531,143
Total other operating revenues	<u>23,122,519</u>	<u>-</u>	<u>5,441,578</u>	<u>23,885</u>	<u>28,587,982</u>
Net realized gains (losses) on investments	2,064	-	(127,562)	(21,571)	(147,069)
Net change in unrealized gains on investments	(30,112)	-	(1,005,978)	-	(1,036,090)
Total investment losses	<u>(28,048)</u>	<u>-</u>	<u>(1,133,540)</u>	<u>(21,571)</u>	<u>(1,183,159)</u>
<b>Net assets released from restriction</b>					
Satisfaction of purpose restrictions - Catholic Life 2000	1,650,000	-	(1,650,000)	-	-
Satisfaction of purpose restrictions - Heritage of Faith	1,200,000	-	(1,200,000)	-	-
Satisfaction of purpose restrictions - General	6,465,671	(316,145)	(6,199,489)	49,963	-
Total revenues	<u>134,693,128</u>	<u>(316,145)</u>	<u>(4,741,451)</u>	<u>52,277</u>	<u>129,687,809</u>
<b>Expenses:</b>					
Administration	23,823,255	-	-	-	23,823,255
Instruction	47,087,265	-	-	-	47,087,265
Operations and maintenance of plant	18,487,798	-	-	-	18,487,798
Employee benefits	23,406,553	-	-	-	23,406,553
Student activities	3,732,703	-	-	-	3,732,703
Athletics	6,897,233	-	-	-	6,897,233
Debt service	2,584,925	-	-	-	2,584,925
Other	745,685	-	-	-	745,685
Total expenses	<u>126,765,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,765,417</u>
Change in net assets before other items	7,927,711	(316,145)	(4,741,451)	52,277	2,922,392
Change in financially inter-related organizations	99,445	-	1,495,001	-	1,594,446
Redesignation of net assets	(2,172,194)	2,138,000	34,194	-	-
Change in net assets	5,854,962	1,821,855	(3,212,256)	52,277	4,516,838
<b>Net assets</b>					
Beginning of year	54,915,291	-	35,606,559	36,489,887	127,011,737
End of year	<u>\$ 60,770,253</u>	<u>\$ 1,821,855</u>	<u>\$ 32,394,303</u>	<u>\$ 36,542,164</u>	<u>\$ 131,528,575</u>

The accompanying notes are an integral part of this combined financial statement.

Archdiocese of Philadelphia, Office of Catholic Education  
High Schools

**COMBINED STATEMENTS OF CASH FLOWS**

Year ended June 30,

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 16,895,431	\$ 4,516,838
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	6,744,096	6,642,344
Bad debt expense	1,505,604	2,345,593
Net change in unrealized gains on investments	(5,943,707)	1,036,090
Net realized (gains) losses on investments	(423,448)	147,069
Gain on sale of property	(959,253)	-
Change in financially inter-related organizations	(20,715)	(1,594,446)
Changes in assets and liabilities		
Parental tuition and fees receivable	(1,677,238)	(2,101,473)
Due from related organizations	87,752	(160,143)
Pledges receivable, net	212,443	36,171
Other receivables	(333,013)	391,103
Prepaid expenses and other assets	(732,818)	(132,377)
Accounts payable	205,068	(351,022)
Accrued payroll	126,160	320,555
Accrued non-pension retirement benefits	(387,596)	127,696
Accrued vacation	34,970	82,763
Incurred but not reported medical claims	(47,000)	181,000
Due to related organizations	12,997	(111,635)
Deferred revenue	2,502,984	3,968,602
Net cash provided by operating activities	17,802,717	15,344,728
Cash flows from investing activities		
Purchase of property and equipment	(7,302,211)	(6,881,653)
Proceeds from sale of property	959,253	-
Purchase of investments, net	(16,867,890)	1,746,131
Net cash used in investing activities	(23,210,848)	(5,135,522)
Cash flows from financing activities		
Repayments of notes payable to Archdiocese of Philadelphia	(8,553,629)	(1,371,054)
Net cash used in financing activities	(8,553,629)	(1,371,054)
Net (decrease) increase in cash and cash equivalents	(13,961,760)	8,838,152
Cash and cash equivalents		
Beginning of year	37,690,303	28,852,151
End of year	\$ 23,728,543	\$ 37,690,303
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 2,377,189	\$ 2,584,926

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



**NOTES TO COMBINED FINANCIAL STATEMENTS**

June 30, 2017 and 2016

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:

- Office of Catholic Education Schools of Special Education (“SPED”)
- Office of Catholic Education (“OCE”) Administration Account
- Office for Financial Services (“OFS”)
- Trustee Account of the Archdiocese of Philadelphia for Estates and Trusts
- Catholic Cemeteries Office (“CCO”)
- Catholic Health Care Services (“CHCS”)
- 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. This agreement was extended through 2022 in February of 2016. Pursuant to the aforementioned agreement, FIF assumes strategic and operational management of the 17 Catholic secondary schools and the four schools of special education 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. Subsequent to year end, the Superintendent for Secondary Schools, the Chief Financial Officer and Deputy Secretary also report directly to the 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, 2017 and 2016

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.

Over the last four years, the High Schools have generated a cumulative surplus of \$9,800,000. The FIF and OCE management teams developed a plan to use a portion of this surplus to address specific needs in the system, which have been deemed critical to advancing the High Schools' growth strategy and target three organizational priorities including people development, school quality, and technology. These funds have been designated for this purpose as approved by the finance committee and are reported as designated funds within the combined statement of financial position at June 30, 2017.

The High Schools had the following designated fund balances as of June 30, 2017:

	<u>Amount designated</u>	<u>Balance at June 30, 2017</u>
Medical Reserve Fund	\$ 500,000	\$ 500,000
Instructional Technology Infrastructure and Technology Planning	2,240,000	1,242,686
Leadership Academy Professional Development Program	1,068,000	840,454
Summer Enrichment Pilot	20,000	2,669
Capital Improvements	825,000	825,000
Tuition Assistance	825,000	825,000
Allocation to Schools	1,583,000	-
Other	<u>596,746</u>	<u>399,099</u>
 Total of allocations	 <u>\$ 7,657,746</u>	 <u>\$ 4,634,908</u>

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.

(Continued)

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, 2017 and 2016, 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.

(Continued)

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Beneficial Interest in Financially Inter-related Organizations

Beneficial interest in financially inter-related organizations 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.

7. Investments

Trustee Accounts are 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.

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.

8. 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	10-25 years
Building (new construction)	20-40 years
Building improvements	5-20 years
Leasehold improvements (Roman Catholic High School)	5-25 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. The related lease term is indefinite as long as the property and equipment are used as a Catholic high school. Accordingly, these leasehold improvements are depreciated over the stated useful lives, which are less than the lease term. Property and equipment improvements and purchases in excess of \$10,000 are capitalized.

(Continued)

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. 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, 2017 and 2016. 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. For the periods presented, the estimate is based on the last 48 months of incurred and paid claims for each of the years ended June 30, 2017 and 2016.

10. Functional Expenses

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

11. 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.

12. Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is not permitted. An entity will apply the amendments in this update using either a full retrospective application, which applies the standard to each prior period presented, or under the modified retrospective application, in which an entity recognizes the cumulative effect of initially applying the new standard as an adjustment to the opening balance sheet of retained earnings at the date of initial application. Revenue in periods presented before that date will continue to be reported under guidance in effect before the change. The High Schools have not determined the impact of ASU 2014-09 at this time.

(Continued)

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires that most leased assets be recognized on the balance sheet as assets and liabilities for the rights and obligations created by these leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. Early application is permitted. An entity is required to apply the amendments in ASU 2016-02 under the modified retrospective transition approach. This approach includes a number of optional practical expedients, which are described in the final standard. Under these practical expedients, an organization will continue to account for leases that commence before the effective date in accordance with current U.S. GAAP, unless the lease is modified. However, lessees are required to recognize on the balance sheet leased assets and liabilities for operating leases at each reporting date. The High Schools have not determined the impact of ASU 2016-02 at this time.

In August 2016, the FASB issued a new standard related to the presentation of financial statements of not-for-profit entities. This standard intends to make certain improvements to the current reporting requirements for not-for-profit entities including: (1) the presentation for two classes of net assets at the end of the period, rather than the currently required three classes, as well as the annual change in each of the two classes; (2) the removal of the requirement to present or disclose the indirect method (reconciliation) when using the direct method for the statement of cash flows; and (3) the requirement to provide various enhanced disclosures relating to various not-for-profit specific topics. The new standard is effective for annual financial statements beginning after December 15, 2017. The High Schools have not determined the impact of the new standard at this time.

13. Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results.

NOTE C - PLEDGES RECEIVABLE, NET

A summary of pledges receivable is as follows at June 30, 2017 and 2016:

	2017	2016
Less than one year	\$ 222,504	\$ 229,632
One year to five years	490,105	654,894
	712,609	884,526
Less: allowance for doubtful accounts	(102,021)	(63,998)
Less: discount	(29,734)	(27,231)
	\$ 580,854	\$ 793,297

Pledges receivable are recorded at fair value using a discount rate commensurate with the risks associated with the pledge. The discount rate used was 2% at both June 30, 2017 and 2016.

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

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.

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. The Investment Committee of the Archdiocese of Philadelphia ("Investment Committee") 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.

At June 30, 2017 and 2016, the High Schools' investments are summarized and classified as follows:

	2017	2016
Investments in SEI Catholic Values Funds	\$ 71,766,383	\$ 53,195,158
Money market funds	695,479	84,422
Mutual funds	2,814,709	1,047,392
Common stocks	1,627,252	125,704
Debt securities	796,361	12,463
	\$ 77,700,184	\$ 54,465,139

NOTE E - FAIR VALUE MEASUREMENTS

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.

(Continued)

Archdiocese of Philadelphia, Office of Catholic Education  
High Schools

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE E - FAIR VALUE MEASUREMENTS - Continued

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.

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, 2017 and 2016:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
<u>2017</u>				
Assets				
Investments				
Investments in SEI Catholic				
Values Funds	\$ 71,766,383	\$ -	\$ -	\$ 71,766,383
Money market funds	-	695,479	-	695,479
Mutual funds	2,814,709	-	-	2,814,709
Common stocks	1,627,252	-	-	1,627,252
Debt securities	796,361	-	-	796,361
Beneficial interest in financially inter-related organizations	<u>-</u>	<u>-</u>	<u>9,820,717</u>	<u>9,820,717</u>
Total assets at June 30, 2017	<u>\$ 77,004,705</u>	<u>\$ 695,479</u>	<u>\$ 9,820,717</u>	<u>\$ 87,520,901</u>
<u>2016</u>				
Assets				
Investments				
Investments in SEI Catholic				
Values Funds	\$ 53,195,158	\$ -	\$ -	\$ 53,195,158
Money market funds	-	84,422	-	84,422
Mutual funds	1,047,392	-	-	1,047,392
Common stocks	125,704	-	-	125,704
Debt securities	12,463	-	-	12,463
Beneficial interest in financially inter-related organizations	<u>-</u>	<u>-</u>	<u>9,800,002</u>	<u>9,800,002</u>
Total assets at June 30, 2016	<u>\$ 54,380,717</u>	<u>\$ 84,422</u>	<u>\$ 9,800,002</u>	<u>\$ 64,265,141</u>



Archdiocese of Philadelphia, Office of Catholic Education  
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**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment and accumulated depreciation at June 30, 2017 and 2016 consist of:

	2017	2016
Land	\$ 6,383,642	\$ 6,383,642
Land improvements	16,829,838	15,591,147
Building	84,932,149	84,904,074
Building improvements	49,301,916	45,965,491
Leasehold improvements	6,050,875	6,018,983
Furniture and fixtures	17,435,714	15,986,770
Vehicles	279,879	253,228
Work in progress	6,719	23,530
	181,220,732	175,126,865
Accumulated depreciation	(69,561,833)	(64,026,081)
Property and equipment, net	\$ 111,658,899	\$ 111,100,784

Depreciation expense was \$6,744,096 and \$6,642,344 for the years ended June 30, 2017 and 2016, respectively.

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2017 and 2016, temporarily restricted net assets are available for the following purposes:

	2017	2016
Tuition assistance for all schools	\$ 3,138,434	\$ 2,869,427
Tuition assistance for specific schools	4,565,928	3,742,513
Property, plant and equipment for Roman Catholic High School, held by Trustees	7,062,643	7,468,590
Tuition assistance/operations/improvements for John W. Hallahan Catholic Girls' High School	594,053	535,132
Operations and improvements for specific schools	2,797,238	784,489
Accumulated earnings in excess of spending of endowments		
Tuition assistance for all schools	2,672,342	1,657,064
Tuition assistance for specific schools	276,114	226,556
Operations for Roman Catholic High School, held by Trustees	665,010	487,203
Operations and improvements for all schools	18,398,218	14,619,673
Other, for specific schools	48,446	3,656
Total	\$ 40,218,426	\$ 32,394,303

Archdiocese of Philadelphia, Office of Catholic Education  
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**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE H - PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2017 and 2016, income from permanently restricted net assets is available for the following purposes:

	2017	2016
Tuition assistance for all schools	\$ 7,691,304	\$ 7,243,034
Tuition assistance for specific schools	5,500,291	2,035,742
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	28,435	28,435
 Total	 \$ 40,454,983	 \$ 36,542,164

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, 2017 and 2016

NOTE I - ENDOWMENTS - Continued

2. Return Objectives and Risk Parameters

The High Schools have adopted investment policies established by the 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, 2017 and 2016 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.

As of June 30, 2017 and 2016, \$40,454,983 and \$36,542,164, respectively, in donor-restricted endowment funds were recorded within permanently restricted net assets.

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. There were no such deficiencies of this nature as of both June 30, 2017 and 2016.

(Continued)

Archdiocese of Philadelphia, Office of Catholic Education  
High Schools

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE I - ENDOWMENTS - Continued

The High Schools had the following endowment activities during the years ended June 30, 2017 and 2016, 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, 2015	\$ -	\$ 19,109,345	\$ 36,489,887	\$ 55,599,232
Investment income	-	717,156	335	717,491
Net depreciation (realized and unrealized losses)	<u>-</u>	<u>(1,027,970)</u>	<u>(21,571)</u>	<u>(1,049,541)</u>
Total investment return	-	(310,814)	(21,236)	(332,050)
Contributions	-	-	23,550	23,550
Appropriation of endowment assets for expenditure	-	(1,883,334)	-	(1,883,334)
Change in financially inter-related organizations	-	78,955	-	78,955
Satisfaction of purpose restrictions	<u>-</u>	<u>-</u>	<u>49,963</u>	<u>49,963</u>
Endowment net assets, June 30, 2016	-	16,994,152	36,542,164	53,536,316
Investment income	-	988,475	3,170	991,645
Net appreciation (realized and unrealized gains)	<u>-</u>	<u>5,848,152</u>	<u>18,528</u>	<u>5,866,680</u>
Total investment return	-	6,836,627	21,698	6,858,325
Contributions	-	-	3,891,121	3,891,121
Appropriation of endowment assets for expenditure	-	(1,948,456)	-	(1,948,456)
Change in financially inter-related organizations	<u>-</u>	<u>177,807</u>	<u>-</u>	<u>177,807</u>
Endowment net assets, June 30, 2017	<u>\$ -</u>	<u>\$ 22,060,130</u>	<u>\$ 40,454,983</u>	<u>\$ 62,515,113</u>

Archdiocese of Philadelphia, Office of Catholic Education  
High Schools

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE J - RELATED PARTY TRANSACTIONS

As of June 30, 2017 and 2016, amounts due from related organizations consisted of the following:

	2017	2016
Office of Catholic Education - Administrative Account	\$ 112,000	\$ -
Schools of Special Education	248	200,000
	\$ 112,248	\$ 200,000

As of June 30, 2017 and 2016, amounts due to related organizations consisted of the following:

	2017	2016
Office of Catholic Education - Administrative Account	\$ 12,997	\$ -
Roman Catholic Alumni Association	133,365	133,365
Office for Financial Services	297,879	297,879
	\$ 444,241	\$ 431,244

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

During the fiscal years ended June 30, 2017 and 2016, the High Schools entered into transactions with the following related parties:

- Archdiocese of Philadelphia's Property and Liability Insurance Fund provides insurance for the High School Operations Account. Total premiums paid for the years ended June 30, 2017 and 2016 were \$807,286 and \$850,785, respectively.
- High School Operations paid \$200,000 for both the years ended June 30, 2017 and 2016, respectively, to Information Technology Services for support of computer systems.
- High School Operations paid \$4,201,500 and \$3,710,793 for the years ended June 30, 2017 and 2016, respectively, to the Office of Catholic Education for administrative costs.
- High School Operations paid \$788,000 and \$904,899 for the years ended June 30, 2017 and 2016, respectively, to the Office of Catholic Education for marketing costs.
- The High Schools paid \$49,000 and \$54,000 for the years ended June 30, 2017 and 2016, respectively, to the Office for Financial Services for administrative costs associated with capital projects and legal services.

(Continued)

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE J - RELATED PARTY TRANSACTIONS - Continued

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 entities:

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.

During the year ended June 30, 2017, OCE made loan principal payments of \$8,553,629. Of these payments, \$6,959,253 related to additional payments in excess of those required by the amortization schedules in the respective loan agreements.

The outstanding debt obligations at June 30, 2017 and 2016 are as follows:

	2017	2016
Office for Financial Services	\$ -	\$ 2,770,444
Catholic Cemeteries Office	-	2,770,444
Trust and Loan	3,872,264	4,030,067
Catholic Health Care Services of the Archdiocese of Philadelphia	51,336,074	54,191,012
Total notes payable	\$ 55,208,338	\$ 63,761,967

(Continued)

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE J - RELATED PARTY TRANSACTIONS - Continued

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 for the years ending June 30:

2018	\$ 1,054,374
2019	1,467,884
2020	1,527,485
2021	1,589,508
2022	1,654,048
Thereafter	<u>47,915,039</u>
Total notes payable	<u>\$ 55,208,338</u>

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.

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 covering substantially all lay employees of the Archdiocese of Philadelphia, based on age and service requirements. On June 30, 2014, the Archdiocese 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 5.9% and 4.0%, respectively, of the salaries of the employees for the years ended June, 30 2017 and 2016. The contribution was \$2,884,150 and \$1,967,415, respectively, for the years ended June 30, 2017 and 2016.

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.

(Continued)

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE K - EMPLOYEE BENEFITS - Continued

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 will be 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 2017, the Archdiocese of Philadelphia employer contribution rate was 4.5% of base salary for eligible employees and there was a 0.35% charge for administration. The contributions by the High Schools into the 403(b) plan totaled \$2,212,693 and \$2,092,308 and the administrative charges totaled \$173,436 and \$205,395 for the years ended June 30, 2017 and 2016, respectively.

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 LERP, 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 LERP, 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 LERP. 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.

(Continued)



**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE K - EMPLOYEE BENEFITS - Continued

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.

Net Periodic Cost

The components of net periodic benefit costs are as follows:

	2017	2016
Service cost	\$ 38,811	\$ 36,057
Interest cost	61,033	81,778
Amortization of		
Net loss	185,685	214,278
Prior service credit	(18,777)	(18,969)
	\$ 266,752	\$ 313,144

(Continued)

Archdiocese of Philadelphia, Office of Catholic Education  
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**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE K - EMPLOYEE BENEFITS - Continued

Obligations and Funded Status

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

	2017	2016
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	376,623	451,556
Plan participants' contributions	18,584	14,028
Benefit payments (expected)	<u>(395,207)</u>	<u>(465,584)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status		
Funded status at end of year	<u>\$ (2,100,704)</u>	<u>\$ (2,488,300)</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 2,488,300	\$ 2,360,604
Service cost	38,811	36,057
Interest cost	61,033	81,778
Actual plan participants' contributions	18,584	14,028
Actual (loss) gain	(110,817)	461,417
Actual benefit paid	<u>(395,207)</u>	<u>(465,584)</u>
Benefit obligation at end of year	<u>\$ 2,100,704</u>	<u>\$ 2,488,300</u>
Amounts recognized in unrestricted net assets		
Net actuarial loss	\$ 2,770,020	\$ 3,066,521
Prior service credit	<u>(168,787)</u>	<u>(187,564)</u>
	<u>\$ 2,601,233</u>	<u>\$ 2,878,957</u>
Information for plans with accumulated benefit obligation in excess of plan assets		
Projected benefit obligation	\$ 2,100,704	\$ 2,488,300
Accumulated benefit obligation	2,100,704	2,488,300

(Continued)

Archdiocese of Philadelphia, Office of Catholic Education  
High Schools

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

NOTE K - EMPLOYEE BENEFITS - Continued

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

	2017	2016
Net loss	\$ 172,387	\$ 206,273
Prior service credit	(18,777)	(18,969)

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

	2017	2016
Discount rate	3.50%	3.00%
Healthcare cost trend	7.20%	7.60%
Ultimate rate of increase	4.50%	4.50%
Year that ultimate rate is attained	2025	2025

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	\$ 2,442	\$ 2,019

Plan Assets

There are no plan assets.

Cash Flows and Estimated Future Benefit Payments

	2017
Employer contributions June 30, 2018 (expected)	\$ 490,092
Expected benefit payments for the years ended June 30:	
2018	\$ 490,000
2019	383,000
2020	324,000
2021	128,000
2022	112,000
2023 - 2025	462,000

Archdiocese of Philadelphia, Office of Catholic Education  
High Schools

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017 and 2016

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, 2017:

2018		\$ 466,825
2019		384,937
2020		293,597
2021		124,507
2022		<u>55,330</u>
		<u>\$ 1,325,196</u>

Lease expenses were \$545,564 and \$483,210 for the years ended June 30, 2017 and 2016, respectively.

NOTE M - CONTRIBUTED SERVICES

	<u>2017</u>	<u>2016</u>
Salaries and benefits - lay equivalent value of religious services	\$ 4,246,629	\$ 4,998,560
Expended for religious services		
Salaries, related employee benefits and faculty house expenses	<u>(3,347,034)</u>	<u>(3,467,417)</u>
Total contributed services	<u>\$ 899,595</u>	<u>\$ 1,531,143</u>

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.

NOTE O - SUBSEQUENT EVENTS

Management evaluated the High Schools’ June 30, 2017 combined financial statements for subsequent events through December 5, 2017, 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, except as noted in Note A.

SUPPLEMENTAL INFORMATION

Archdiocese of Philadelphia, Office of Catholic Education  
High Schools

**COMBINING STATEMENT OF FINANCIAL POSITION**

June 30, 2017

	Operations Account	Presidents' Accounts	Eliminations	Total
<b>ASSETS</b>				
Cash and cash equivalents, including amounts held by affiliate	\$ 14,428,754	\$ 9,299,789	\$ -	\$ 23,728,543
Parental tuition and fees receivable, less allowance for doubtful accounts \$4,500,344 and \$561,496	2,900,693	425,961	-	3,326,654
Due from related organizations (Note J)	112,248	-	-	112,248
Accounts receivable - intrafund	3,572,530	359,788	(3,932,318)	-
Pledges receivable, net (Note C)	-	580,854	-	580,854
Other receivables	736,805	268,831	-	1,005,636
Prepaid expenses and other assets	1,787,659	506,294	-	2,293,953
Beneficial interest in financially inter-related organizations	9,030,911	789,806	-	9,820,717
Investments (Note D)	68,001,372	9,698,812	-	77,700,184
Property and equipment, net (Note F)	96,643,889	15,015,010	-	111,658,899
Total assets	<u>\$197,214,861</u>	<u>\$ 36,945,145</u>	<u>\$ (3,932,318)</u>	<u>\$230,227,688</u>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable	\$ 1,494,474	\$ 2,464,727	\$ -	\$ 3,959,201
Accrued payroll	6,739,001	96,752	-	6,835,753
Accrued non-pension retirement benefits (Note K)	2,100,704	-	-	2,100,704
Accrued vacation (Note K)	737,241	6,519	-	743,760
Incurred but not reported medical claims (Note B)	917,000	-	-	917,000
Due to related organizations (Note J)	310,876	133,365	-	444,241
Accounts payable - intrafund	359,788	3,572,530	(3,932,318)	-
Deferred revenue	10,058,623	1,536,062	-	11,594,685
Notes payable to Archdiocese of Philadelphia (Note J)	55,208,338	-	-	55,208,338
Total liabilities	<u>77,926,045</u>	<u>7,809,955</u>	<u>(3,932,318)</u>	<u>81,803,682</u>
Net assets:				
Unrestricted	46,393,711	16,721,978	-	63,115,689
Designated funds	4,634,908	-	-	4,634,908
Temporarily restricted (Note G)	33,333,941	6,884,485	-	40,218,426
Permanently restricted (Note H)	34,926,256	5,528,727	-	40,454,983
Total net assets	<u>119,288,816</u>	<u>29,135,190</u>	<u>-</u>	<u>148,424,006</u>
Total liabilities and net assets	<u>\$197,214,861</u>	<u>\$ 36,945,145</u>	<u>\$ (3,932,318)</u>	<u>\$230,227,688</u>

Archdiocese of Philadelphia, Office of Catholic Education  
High Schools

**COMBINING STATEMENT OF FINANCIAL POSITION**

June 30, 2016

	Operations Account	Presidents' Accounts	Eliminations	Total
<b>ASSETS</b>				
Cash and cash equivalents, including amounts held by affiliate	\$ 26,902,960	\$ 10,787,343	\$ -	\$ 37,690,303
Parental tuition and fees receivable, less allowance for doubtful accounts \$4,051,074 and \$666,212, respectively	2,125,814	1,029,206	-	3,155,020
Due from related organizations (Note J)	200,000	-	-	200,000
Accounts receivable - intrafund	4,369,012	130,097	(4,499,109)	-
Pledges receivable, net (Note C)	-	793,297	-	793,297
Other receivables	606,366	66,257	-	672,623
Prepaid expenses and other assets	1,011,630	549,505	-	1,561,135
Beneficial interest in financially inter-related organizations	9,259,051	540,951	-	9,800,002
Investments (Note D)	52,829,828	1,635,311	-	54,465,139
Property and equipment, net (Note F)	98,105,499	12,995,285	-	111,100,784
Total assets	<b>\$195,410,160</b>	<b>\$ 28,527,252</b>	<b>\$ (4,499,109)</b>	<b>\$219,438,303</b>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable	\$ 1,536,264	\$ 2,217,869	\$ -	\$ 3,754,133
Accrued payroll	6,542,133	167,460	-	6,709,593
Accrued non-pension retirement benefits (Note K)	2,488,300	-	-	2,488,300
Accrued vacation (Note K)	618,139	90,651	-	708,790
Incurred but not reported medical claims (Note B)	964,000	-	-	964,000
Due to related organizations (Note J)	297,879	133,365	-	431,244
Accounts payable - intrafund	130,097	4,369,012	(4,499,109)	-
Deferred revenue	8,825,822	265,879	-	9,091,701
Notes payable to Archdiocese of Philadelphia (Note J)	63,761,967	-	-	63,761,967
Total liabilities	85,164,601	7,244,236	(4,499,109)	87,909,728
Net assets:				
Unrestricted	45,882,099	14,888,154	-	60,770,253
Designated funds	1,821,855	-	-	1,821,855
Temporarily restricted (Note G)	28,063,618	4,330,685	-	32,394,303
Permanently restricted (Note H)	34,477,987	2,064,177	-	36,542,164
Total net assets	110,245,559	21,283,016	-	131,528,575
Total liabilities and net assets	<b>\$195,410,160</b>	<b>\$ 28,527,252</b>	<b>\$ (4,499,109)</b>	<b>\$219,438,303</b>

Archdiocese of Philadelphia, Office of Catholic Education  
High Schools

**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended June 30, 2017

	Operations Account				Presidents' Accounts				Eliminations	Total					
	Unrestricted	Designated Funds	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted		Total	Unrestricted	Designated Funds	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues:</b>															
Tuition and fees funded by:															
Parents and guardians	\$ 87,885,052	\$ -	\$ -	\$ -	\$ 87,885,052	\$ 8,554,007	\$ -	\$ -	\$ 8,554,007	\$ -	\$ 96,439,059	\$ -	\$ -	\$ -	\$ 96,439,059
Third-party organizations	5,041,256	-	-	-	5,041,256	-	-	-	-	-	5,041,256	-	-	-	5,041,256
Tax credit programs	5,703,700	-	-	-	5,703,700	-	-	-	-	-	5,703,700	-	-	-	5,703,700
Office of Catholic Education	663,352	-	-	-	663,352	-	-	-	-	-	663,352	-	-	-	663,352
School and alumni organizations	8,810,339	-	-	-	8,810,339	-	-	-	-	-	8,810,339	-	-	-	8,810,339
Summer School	174,387	-	-	-	174,387	-	-	-	-	-	174,387	-	-	-	174,387
<b>Total</b>	<b>108,278,086</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>108,278,086</b>	<b>8,554,007</b>	<b>-</b>	<b>-</b>	<b>8,554,007</b>	<b>-</b>	<b>116,832,093</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>116,832,093</b>
<b>Less:</b>															
Scholarship and tuition assistance	-	-	-	-	-	-	-	-	-	8,133,678	8,133,678	-	-	-	8,133,678
Tuition reductions	5,208,291	-	-	-	5,208,291	-	-	-	-	-	5,208,291	-	-	-	5,208,291
<b>Net tuition and fees</b>	<b>103,069,795</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,069,795</b>	<b>8,554,007</b>	<b>-</b>	<b>-</b>	<b>8,554,007</b>	<b>(8,133,678)</b>	<b>103,490,124</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,490,124</b>
<b>Student activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,202,987</b>	<b>-</b>	<b>-</b>	<b>2,202,987</b>	<b>-</b>	<b>2,202,987</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,202,987</b>
Athletics	-	-	-	-	-	2,322,693	-	-	2,322,693	-	2,322,693	-	-	-	2,322,693
Resale items income - net of disbursements	-	-	-	-	-	313,522	-	-	313,522	-	313,522	-	-	-	313,522
Contributions and donations	324,748	-	1,339,010	426,571	2,090,329	8,680,884	6,139,174	3,401,420	18,221,478	-	9,005,632	-	7,478,184	3,827,991	20,311,807
Other	1,881,232	-	2,340	-	1,883,572	1,589,550	65,114	-	1,654,664	-	3,470,782	-	67,454	-	3,538,236
Fund-raising - net of disbursements	-	-	-	-	-	1,166,277	-	-	1,166,277	-	1,166,277	-	-	-	1,166,277
Interest and investment income	232,009	-	983,584	3,170	1,218,763	69,436	127,825	-	197,261	-	301,445	-	1,111,409	3,170	1,416,024
Contributed services (Note M)	896,860	-	-	-	896,860	2,735	-	-	2,735	-	899,595	-	-	-	899,595
<b>Total other operating revenues</b>	<b>3,334,849</b>	<b>-</b>	<b>2,324,934</b>	<b>429,741</b>	<b>6,089,524</b>	<b>16,348,084</b>	<b>6,332,113</b>	<b>3,401,420</b>	<b>26,081,617</b>	<b>-</b>	<b>19,682,933</b>	<b>-</b>	<b>8,657,047</b>	<b>3,831,161</b>	<b>32,171,141</b>
Net realized gains on investments	156	-	162,847	15,197	178,200	72,129	173,119	-	245,248	-	72,285	-	335,966	15,197	423,448
Net change in unrealized gains on investments	(12,973)	-	5,953,349	3,331	5,943,707	-	-	-	-	-	(12,973)	-	5,953,349	3,331	5,943,707
<b>Total investment (losses) gains</b>	<b>(12,817)</b>	<b>-</b>	<b>6,116,196</b>	<b>18,528</b>	<b>6,121,907</b>	<b>72,129</b>	<b>173,119</b>	<b>-</b>	<b>245,248</b>	<b>-</b>	<b>59,312</b>	<b>-</b>	<b>6,289,315</b>	<b>18,528</b>	<b>6,367,155</b>
<b>Net assets released from restriction</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,680,000</b>	<b>-</b>	<b>(1,680,000)</b>	<b>-</b>	<b>-</b>
Satisfaction of purpose restrictions - CL2000	1,680,000	-	(1,680,000)	-	-	-	-	-	-	-	1,680,000	-	(1,680,000)	-	-
Satisfaction of purpose restrictions - Heritage of Faith	900,000	-	(900,000)	-	-	-	-	-	-	-	900,000	-	(900,000)	-	-
Satisfaction of purpose restrictions - General	362,667	-	(362,667)	-	-	4,684,733	(4,747,863)	63,130	-	-	5,047,400	-	(5,110,530)	63,130	-
Appropriation of designated funds for expenditure	2,381,838	(2,381,838)	-	-	-	-	-	-	-	-	2,381,838	(2,381,838)	-	-	-
<b>Total revenues</b>	<b>111,716,332</b>	<b>(2,381,838)</b>	<b>5,498,463</b>	<b>448,269</b>	<b>115,281,226</b>	<b>29,658,953</b>	<b>1,757,369</b>	<b>3,464,550</b>	<b>34,880,872</b>	<b>(8,133,678)</b>	<b>133,241,607</b>	<b>(2,381,838)</b>	<b>7,255,832</b>	<b>3,912,819</b>	<b>142,028,420</b>
<b>Expenses:</b>															
Administration	17,718,347	-	-	-	17,718,347	5,813,856	-	-	5,813,856	-	23,532,203	-	-	-	23,532,203
Scholarship and tuition assistance	2,113,310	-	-	-	2,113,310	6,020,368	-	-	6,020,368	(8,133,678)	-	-	-	-	-
Instruction	44,099,165	-	-	-	44,099,165	3,607,971	-	-	3,607,971	-	47,707,136	-	-	-	47,707,136
Operations and maintenance of plant	13,947,102	-	-	-	13,947,102	4,515,055	-	-	4,515,055	-	18,462,157	-	-	-	18,462,157
Employee benefits	21,833,337	-	-	-	21,833,337	403,251	-	-	403,251	-	22,236,588	-	-	-	22,236,588
Student activities	531,533	-	-	-	531,533	3,089,320	-	-	3,089,320	-	3,620,853	-	-	-	3,620,853
Athletics	2,308,665	-	-	-	2,308,665	4,979,765	-	-	4,979,765	-	7,288,430	-	-	-	7,288,430
Debt service	2,377,189	-	-	-	2,377,189	-	-	-	-	-	2,377,189	-	-	-	2,377,189
Other	-	-	-	-	-	888,401	-	-	888,401	-	888,401	-	-	-	888,401
<b>Total expenses</b>	<b>104,928,648</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>104,928,648</b>	<b>29,317,987</b>	<b>-</b>	<b>-</b>	<b>29,317,987</b>	<b>(8,133,678)</b>	<b>126,112,957</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126,112,957</b>
<b>Change in net assets before other items</b>	<b>6,787,684</b>	<b>(2,381,838)</b>	<b>5,498,463</b>	<b>448,269</b>	<b>10,352,578</b>	<b>340,966</b>	<b>1,757,369</b>	<b>3,464,550</b>	<b>5,562,885</b>	<b>-</b>	<b>7,128,650</b>	<b>(2,381,838)</b>	<b>7,255,832</b>	<b>3,912,819</b>	<b>15,915,463</b>
<b>Change in financially inter-related organizations</b>	<b>-</b>	<b>-</b>	<b>(228,140)</b>	<b>-</b>	<b>(228,140)</b>	<b>183,106</b>	<b>65,749</b>	<b>-</b>	<b>248,855</b>	<b>-</b>	<b>183,106</b>	<b>-</b>	<b>(162,391)</b>	<b>-</b>	<b>20,715</b>
Redesignation of net assets	(5,194,891)	5,194,891	-	-	-	(730,682)	730,682	-	-	-	(5,925,573)	5,194,891	730,682	-	-
Other	(2,040,434)	-	-	-	(2,040,434)	2,040,434	-	-	2,040,434	-	-	-	-	-	-
Gain on sale of property	959,253	-	-	-	959,253	-	-	-	-	-	959,253	-	-	-	959,253
<b>Change in net assets</b>	<b>511,612</b>	<b>2,813,053</b>	<b>5,270,323</b>	<b>448,269</b>	<b>13,124,125</b>	<b>(2,247,044)</b>	<b>2,553,800</b>	<b>3,464,550</b>	<b>3,771,306</b>	<b>-</b>	<b>2,345,436</b>	<b>2,813,053</b>	<b>7,824,123</b>	<b>3,912,819</b>	<b>16,895,431</b>
<b>Net assets</b>															
Beginning of year	45,882,099	1,821,855	28,063,618	34,477,987	110,245,559	14,888,154	4,330,685	2,064,177	21,283,016	-	60,770,253	1,821,855	32,394,303	36,542,164	131,528,575
End of year	\$ 46,393,711	\$ 4,634,908	\$ 33,333,941	\$ 34,926,256	\$ 123,369,684	\$ 12,641,110	\$ 6,884,485	\$ 5,528,727	\$ 25,054,322	\$ -	\$ 63,115,689	\$ 4,634,908	\$ 40,218,426	\$ 40,454,983	\$ 148,424,006



Archdiocese of Philadelphia, Office of Catholic Education  
High Schools

**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended June 30, 2016

	Operations Account				Presidents' Accounts				Eliminations	Total				
	Unrestricted	Designated Funds	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted		Total	Unrestricted	Designated Funds	Temporarily Restricted	Permanently Restricted
<b>Revenues:</b>														
Tuition and fees funded by:														
Parents and guardians	\$ 77,146,242	\$ -	\$ -	\$ -	\$ 77,146,242	\$ 18,809,321	\$ -	\$ -	\$ 18,809,321	\$ -	\$ 95,953,563	\$ -	\$ -	\$ 95,953,563
Third-party organizations	4,437,448	-	-	-	4,437,448	-	-	-	-	-	4,437,448	-	-	4,437,448
Tax credit programs	5,567,408	-	-	-	5,567,408	-	-	-	-	-	5,567,408	-	-	5,567,408
Office of Catholic Education	712,733	-	-	-	712,733	-	-	-	-	-	712,733	-	-	712,733
School and alumni organizations	7,181,306	-	-	-	7,181,306	-	-	-	-	-	7,181,306	-	-	7,181,306
Summer School	197,897	-	-	-	197,897	-	-	-	-	-	197,897	-	-	197,897
<b>Total</b>	<b>95,243,034</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95,243,034</b>	<b>18,809,321</b>	<b>-</b>	<b>-</b>	<b>18,809,321</b>	<b>-</b>	<b>114,052,355</b>	<b>-</b>	<b>-</b>	<b>114,052,355</b>
<b>Less:</b>														
Scholarship and tuition assistance	-	-	-	-	-	-	-	-	-	8,131,679	8,131,679	-	-	8,131,679
Tuition reductions	3,637,690	-	-	-	3,637,690	-	-	-	-	-	3,637,690	-	-	3,637,690
<b>Net tuition and fees</b>	<b>91,605,344</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,605,344</b>	<b>18,809,321</b>	<b>-</b>	<b>-</b>	<b>18,809,321</b>	<b>(8,131,679)</b>	<b>102,282,986</b>	<b>-</b>	<b>-</b>	<b>102,282,986</b>
Student activities	-	-	-	-	-	2,418,920	-	-	2,418,920	-	2,418,920	-	-	2,418,920
Athletics	-	-	-	-	-	2,256,222	-	-	2,256,222	-	2,256,222	-	-	2,256,222
Resale items income - net of disbursements	-	-	-	-	-	359,029	-	-	359,029	-	359,029	-	-	359,029
Contributions and donations	230,000	-	1,463,638	-	1,693,638	10,106,125	2,985,502	23,550	13,115,177	-	10,336,125	-	4,449,140	23,550
Other	3,071,984	-	-	-	3,071,984	1,549,099	33,415	-	1,582,514	-	4,621,083	-	33,415	4,654,498
Fund-raising - net of disbursements	-	-	-	-	-	1,319,607	123,911	-	1,443,518	-	1,319,607	-	123,911	1,443,518
Interest and investment income	200,853	-	750,884	-	951,737	79,537	84,228	335	164,100	-	280,390	-	835,112	335
Contributed services (Note M)	1,328,687	-	-	-	1,328,687	202,456	-	-	202,456	-	1,531,143	-	-	1,531,143
<b>Total other operating revenues</b>	<b>4,831,524</b>	<b>-</b>	<b>2,214,522</b>	<b>-</b>	<b>7,046,046</b>	<b>18,290,995</b>	<b>3,227,056</b>	<b>23,885</b>	<b>21,541,936</b>	<b>-</b>	<b>23,122,519</b>	<b>-</b>	<b>5,441,578</b>	<b>23,885</b>
Net realized (losses) gains on investments	-	-	(120,777)	(21,571)	(142,348)	2,064	(6,785)	-	(4,721)	-	2,064	-	(127,562)	(21,571)
Net change in unrealized gains	-	-	(957,839)	-	(957,839)	(30,112)	(48,139)	-	(78,251)	-	(30,112)	-	(1,005,978)	-
<b>Total investment losses</b>	<b>-</b>	<b>-</b>	<b>(1,078,616)</b>	<b>(21,571)</b>	<b>(1,100,187)</b>	<b>(28,048)</b>	<b>(54,924)</b>	<b>-</b>	<b>(82,972)</b>	<b>-</b>	<b>(28,048)</b>	<b>-</b>	<b>(1,133,540)</b>	<b>(21,571)</b>
Net assets released from restriction														
Satisfaction of purpose restrictions - CL2000	1,650,000	-	(1,650,000)	-	-	-	-	-	-	-	1,650,000	-	(1,650,000)	-
Satisfaction of purpose restrictions - Heritage of Faith	1,200,000	-	(1,200,000)	-	-	-	-	-	-	-	1,200,000	-	(1,200,000)	-
Satisfaction of purpose restrictions - General	1,320,341	(316,145)	(1,004,196)	-	-	5,145,330	(5,195,293)	49,963	-	-	6,465,671	(316,145)	(6,199,489)	49,963
<b>Total revenues</b>	<b>100,607,209</b>	<b>(316,145)</b>	<b>(2,718,290)</b>	<b>(21,571)</b>	<b>97,551,203</b>	<b>42,217,598</b>	<b>(2,023,161)</b>	<b>73,848</b>	<b>40,268,285</b>	<b>(8,131,679)</b>	<b>134,693,128</b>	<b>(316,145)</b>	<b>(4,741,451)</b>	<b>52,277</b>
<b>Expenses:</b>														
Administration	14,826,308	-	-	-	14,826,308	8,996,947	-	-	8,996,947	-	23,823,255	-	-	23,823,255
Scholarship and tuition assistance	-	-	-	-	-	8,131,679	-	-	8,131,679	(8,131,679)	-	-	-	-
Instruction	42,298,768	-	-	-	42,298,768	4,788,497	-	-	4,788,497	-	47,087,265	-	-	47,087,265
Operations and maintenance of plant	13,712,778	-	-	-	13,712,778	4,775,020	-	-	4,775,020	-	18,487,798	-	-	18,487,798
Employee benefits	21,705,807	-	-	-	21,705,807	1,700,746	-	-	1,700,746	-	23,406,553	-	-	23,406,553
Student activities	-	-	-	-	-	3,732,703	-	-	3,732,703	-	3,732,703	-	-	3,732,703
Athletics	-	-	-	-	-	6,897,233	-	-	6,897,233	-	6,897,233	-	-	6,897,233
Debt service	2,584,925	-	-	-	2,584,925	-	-	-	-	-	2,584,925	-	-	2,584,925
Other	-	-	-	-	-	745,685	-	-	745,685	-	745,685	-	-	745,685
<b>Total expenses</b>	<b>95,128,586</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95,128,586</b>	<b>39,768,510</b>	<b>-</b>	<b>-</b>	<b>39,768,510</b>	<b>(8,131,679)</b>	<b>126,765,417</b>	<b>-</b>	<b>-</b>	<b>126,765,417</b>
Change in net assets before other items	5,478,623	(316,145)	(2,718,290)	(21,571)	2,422,617	2,449,088	(2,023,161)	73,848	499,775	-	7,927,711	(316,145)	(4,741,451)	52,277
Change in financially inter-related organizations	-	-	1,738,006	-	1,738,006	99,445	(243,005)	-	(143,560)	-	99,445	-	1,495,001	-
Redesignation of net assets	(2,138,000)	2,138,000	-	-	-	(34,194)	34,194	-	-	-	(2,172,194)	2,138,000	34,194	-
Other	191,123	-	-	-	191,123	(191,123)	-	-	-	-	-	-	-	-
<b>Change in net assets</b>	<b>3,531,746</b>	<b>1,821,855</b>	<b>(980,284)</b>	<b>(21,571)</b>	<b>4,351,746</b>	<b>2,323,216</b>	<b>(2,231,972)</b>	<b>73,848</b>	<b>165,092</b>	<b>-</b>	<b>5,854,962</b>	<b>1,821,855</b>	<b>(3,212,256)</b>	<b>52,277</b>
<b>Net assets</b>														
Beginning 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
<b>End of year</b>	<b>\$ 45,882,099</b>	<b>\$ 1,821,855</b>	<b>\$ 28,063,618</b>	<b>\$ 34,477,987</b>	<b>\$ 110,245,559</b>	<b>\$ 14,888,154</b>	<b>\$ 4,330,685</b>	<b>\$ 2,064,177</b>	<b>\$ 21,283,016</b>	<b>\$ -</b>	<b>\$ 60,770,253</b>	<b>\$ 1,821,855</b>	<b>\$ 32,394,303</b>	<b>\$ 36,542,164</b>