Financial Statements and Report of Independent Certified Public Accountants

Archdiocese of Philadelphia
Office of Catholic Education High Schools

June 30, 2020 and 2019

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Archbishop of Philadelphia and the Faith in the Future Foundation
Archdiocese of Philadelphia

We have audited the accompanying financial statements of the Archdiocese of Philadelphia, Office of Catholic Education High Schools ("Diocesan High Schools"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's 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 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 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, 2020 and 2019, and the changes in its net assets and its 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 Diocesan High Schools within the Archdiocese of Philadelphia. Our opinion is not modified with respect to this matter.

Grant Thornton LLP

Philadelphia, Pennsylvania
November 24, 2020

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

STATEMENTS OF FINANCIAL POSITION

As of June 30,

	2020	2019
ASSETS		
Cash and cash equivalents, including amounts held by affiliate	$ 34,464,724	$ 28,973,733
Parental tuition and fees receivable, less allowance for doubtful accounts of $4,384,480 and $4,782,898	1,970,127	2,405,213
Due from related organizations (Note I)	150,734	905,821
Pledges receivable, net (Note C)	2,349,007	3,530,698
Other receivables	3,340,181	3,809,424
Prepaid expenses and other assets	522,707	2,114,301
Beneficial interest in financially inter-related organizations	14,510,305	14,726,996
Investments (Note D)	77,884,390	78,296,394
Property and equipment, net (Note F)	108,973,703	109,856,566
Total assets	$ 244,165,878	$ 244,619,146
LIABILITIES AND NET ASSETS		
Accounts payable	$ 5,354,686	$ 5,137,227
Accrued payroll	5,434,802	5,923,528
Accrued non-pension retirement benefits (Note K)	1,630,632	1,759,123
Accrued vacation (Note K)	797,809	794,844
Incurred but not reported medical claims (Note B)	754,000	753,000
Due to related organizations (Note I)	1,581,036	569,157
Deferred revenue	11,659,796	12,871,347
Notes payable - SBA loan program (Note J)	11,051,582	-
Notes payable to related parties (Note I)	50,793,329	52,335,227
Total liabilities	89,057,672	80,143,453
Net assets		
Without donor restrictions	62,486,957	70,106,372
With donor restrictions (Note G)	92,621,249	94,369,321
Total net assets	155,108,206	164,475,693
Total liabilities and net assets	$ 244,165,878	$ 244,619,146

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

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Basic tuition	$ 88,014,066	$ -	88,014,066
Supplemental and special tuition	160,719	-	160,719
International tuition	318,270	-	318,270
School fee	15,539,342	-	15,539,342
Other school fees	5,470,250	-	5,470,250
Total gross tuition and fees	109,502,647	-	109,502,647
Less:			
Scholarships and tuition assistance	8,206,751	15,000	8,221,751
Tuition reductions	6,124,786	-	6,124,786
Net tuition and fees	95,171,110	(15,000)	95,156,110
Donations	8,232,367	4,334,802	12,567,169
Fundraising income, net of disbursements	874,233	73,625	947,858
Resale, net of purchases	187,315	-	187,315
Commissions	586,250	-	586,250
Rental income	1,713,748	-	1,713,748
Ticket sales	609,324	-	609,324
Program revenue	362,992	-	362,992
Other revenues	1,507,201	-	1,507,201
Investment return, net	444,476	1,816,225	2,260,701
Contributed services (Note O)	909,372	-	909,372
Total other operating revenues	15,427,278	6,224,652	21,651,930
Net assets released from restriction			
Satisfaction of purpose restrictions - CL2000	1,841,500	(1,841,500)	-
Satisfaction of purpose restrictions - Heritage of Faith	800,000	(800,000)	-
Satisfaction of purpose restrictions - General	5,345,089	(5,345,089)	-
Total revenues	118,584,977	(1,776,937)	116,808,040
Expenses:			
Salaries	54,053,093	-	54,053,093
Employee benefits	19,239,073	-	19,239,073
Purchased services	15,901,790	-	15,901,790
Plant	14,719,131	-	14,719,131
Support expenses	11,420,340	-	11,420,340
Debt service	2,070,472	-	2,070,472
Total expenses	117,403,899	-	117,403,899
Change in net assets before other items	1,181,078	(1,776,937)	(595,859)
Change in beneficial interest in financially inter-related organizations	(170,177)	(46,514)	(216,691)
Risk mitigation payment (Note I)	(7,242,941)	-	(7,242,941)
Other non-operating expense (Note K)	(1,219,510)	-	(1,219,510)
Loss on sale of property	(60,590)	-	(60,590)
Other components of net periodic benefit cost (Note K)	(172,472)	-	(172,472)
Benefit-related changes other than net periodic benefit cost (Note K)	140,576	-	140,576
Change in designation of net assets	(75,379)	75,379	-
Change in net assets	(7,619,415)	(1,748,072)	(9,367,487)
Net assets, beginning of year	70,106,372	94,369,321	164,475,693
Net assets, end of year	$ 62,486,957	$ 92,621,249	$ 155,108,206

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

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Basic tuition	$ 91,200,992	$ -	91,200,992
Supplemental and special tuition	653,956	-	653,956
International tuition	512,800	-	512,800
School fee	16,059,466	-	16,059,466
Other school fees	6,852,547	-	6,852,547
Total gross tuition and fees	115,279,761	-	115,279,761
Less:			
Scholarships and tuition assistance	7,991,171	-	7,991,171
Tuition reductions	6,983,274	-	6,983,274
Net tuition and fees	100,305,316	-	100,305,316
Donations	7,809,859	5,701,429	13,511,288
Fundraising income, net of disbursements	1,342,523	164,215	1,506,738
Resale, net of purchases	302,760	-	302,760
Commissions	698,811	-	698,811
Rental income	1,704,168	-	1,704,168
Ticket sales	1,404,486	-	1,404,486
Program revenue	620,259	-	620,259
Other revenues	2,112,309	4,650	2,116,959
Investment return, net	540,221	4,474,360	5,014,581
Contributed services (Note O)	561,094	-	561,094
Total other operating revenues	17,096,490	10,344,654	27,441,144
Net assets released from restriction			
Satisfaction of purpose restrictions - CL2000	1,748,760	(1,748,760)	-
Satisfaction of purpose restrictions - Heritage of Faith	900,000	(900,000)	-
Satisfaction of purpose restrictions - General	5,191,091	(5,191,091)	-
Total revenues	125,241,657	2,504,803	127,746,460
Expenses:			
Salaries	56,329,726	-	56,329,726
Employee benefits	20,588,573	-	20,588,573
Purchased services	18,392,235	-	18,392,235
Plant	14,913,376	-	14,913,376
Support expenses	12,601,485	-	12,601,485
Debt service	2,130,637	-	2,130,637
Total expenses	124,956,032	-	124,956,032
Change in net assets before other items	285,625	2,504,803	2,790,428
Change in beneficial interest in financially inter-related organizations	(115,641)	779,903	664,262
Gain on sale of property	3,757	-	3,757
Other components of net periodic benefit cost (Note K)	(193,022)	-	(193,022)
Benefit-related changes other than net periodic benefit cost (Note K)	77,466	-	77,466
Change in designation of net assets	686,698	(686,698)	-
Change in net assets	744,883	2,598,008	3,342,891
Net assets, beginning of year	69,361,489	91,771,313	161,132,802
Net assets, end of year	$ 70,106,372	$ 94,369,321	$ 164,475,693

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

Archdiocese of Philadelphia, Office of Catholic Education
High Schools

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (9,367,487)	$ 3,342,891
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	7,483,887	7,227,525
Bad debt expense	884,617	828,885
Loss (gain) on sale of property	60,590	(3,757)
Net depreciation (appreciation) in the fair value of investments	801,548	(1,160,173)
Net realized gains on investments	(34,316)	(665,902)
Change in beneficial interest in financially inter-related organizations	216,691	(664,263)
Changes in assets and liabilities		
Parental tuition and fees receivable	(449,531)	(1,093,860)
Due from related organizations	755,087	(905,689)
Pledges receivable	1,181,691	1,288,425
Other receivables	469,243	(1,977,065)
Prepaid expenses and other assets	1,591,594	299,990
Accounts payable	217,459	1,762,419
Accrued payroll	(488,726)	(288,400)
Accrued non-pension retirement benefits	(128,491)	(85,705)
Accrued vacation	2,965	11,447
Incurred but not reported medical claims	1,000	(281,000)
Due to related organizations	1,011,879	319,101
Deferred revenue	(1,211,551)	555,192
Net cash provided by operating activities	2,998,149	8,510,061
Cash flows from investing activities:		
Purchase of property and equipment	(6,783,334)	(6,344,238)
Proceeds from sale of property	121,720	-
Proceeds from sale of investments	10,472,752	-
Purchase of investments	(10,827,980)	-
Purchase of investments, net	-	(90,376)
Net cash used in investing activities	(7,016,842)	(6,434,614)
Cash flows from financing activities:		
Proceeds from notes payable - SBA loan program	11,051,582	-
Repayments of notes payable to related parties	(1,541,898)	(1,481,733)
Net cash provided by (used in) financing activities	9,509,684	(1,481,733)
Net increase in cash and cash equivalents, including amounts held by affiliate	5,490,991	593,714
Cash and cash equivalents, including amounts held by affiliate, beginning of year	28,973,733	28,380,019
Cash and cash equivalents, including amounts held by affiliate, end of year	$ 34,464,724	$ 28,973,733
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,070,472	$ 2,130,637

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

NOTE A - NATURE OF OPERATIONS

The accompanying financial statements of the Office of Catholic Education High Schools ("Diocesan High Schools") include the funds generated from and designated for the operations and maintenance of the 17 high schools owned by the Archdiocese of Philadelphia, Office of Catholic Education. They exclude certain entities of the Archdiocese of Philadelphia, which relate to the Diocesan 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 Administration Account ("OCE")
- Office for Financial Services ("OFS")
- Trustee Account of the Archdiocese of Philadelphia for Estates and Trusts
- Catholic Housing and Community Services ("CHCS")
- Catholic Social Services ("CSS")
- Lay Employees Retirement Plan
- Risk Insurance Trust
- Welfare Benefits Trust
- Deposit and Loan Program Trust
- Independent Reconciliation and Reparations Trust ("IRRP")
- Heritage of Faith, Vision of Hope
- Archdiocese of Philadelphia Priest's Retirement Benefits Funding Trust
- Trustees of Roman Catholic High School

The Diocesan 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 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 five senior management positions of OCE report directly to FIF's Chief Executive Officer. All facilities continue to be owned by the Archdiocese of Philadelphia.

COVID-19 Pandemic

The outbreak of a novel coronavirus ("COVID-19") as a pandemic has caused significant uncertainty of the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. In March 2020, school buildings closed in response to the pandemic and learning shifted to online platforms. Following CDC and Pennsylvania state regulations, instruction resumed in the fall of 2020 under a hybrid instructional model, but management is unable to determine whether there will be a material impact to its operations in the future. Management is actively working to minimize the financial impact of this situation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying 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 without donor restrictions and with donor restrictions.

Net assets with donor restrictions 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 financial statements as net assets with donor restrictions, until transferred to net assets without donor restrictions.

Net assets with donor restrictions also 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 net assets with donor restrictions. Net assets without donor restrictions are free from donor-imposed restrictions and are all the remaining net assets of the Diocesan High Schools.

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. Gifts specified for the acquisition or construction of long-lived assets are reported as net assets without donor restrictions 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, the net assets are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restriction.

Contributed services are recorded as the value of services performed by individuals, based on equivalent salaries of personnel performing similar duties less the compensation and benefit payments (if any) and faculty residence expenses paid for religious personnel. The value of contributed services is included as revenue and, correspondingly, charged as expense.

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.

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, 2020 and 2019, the Diocesan High Schools have cash balances on deposit with financial institutions that exceed the balance insured by the Federal Deposit Insurance Corporation of $250,000. The Diocesan High Schools have not experienced any losses in such accounts.

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 Diocesan High Schools write off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

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 Diocesan 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 Diocesan High Schools.

Investments

Investments are recorded at fair value. Mutual funds include equity, fixed income, and international mutual funds valued at the closing price of the traded fund at the statement of financial position date. To the extent these mutual funds are actively traded, they are categorized in Level 1 of the fair value hierarchy. If such information is not available, mutual funds are valued based on yields currently available on comparable securities for issuers with similar credit ratings and classified in Level 2 of the fair value hierarchy.

Money market funds include securities valued at amortized cost, which approximates fair value. The amortized cost of an instrument is determined by valuing it at its original cost and thereafter amortizing any discount or premium from its face value at a constant rate until maturity. Securities held by a money market fund are generally high quality and liquid; however, they are reflected as Level 2 because the inputs used to determine fair value are not quoted prices in an active market.

Common stocks are traded on a national securities exchange. These securities are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, they are categorized in Level 1 of the fair value hierarchy.

Debt securities, including corporate and international securities, are valued at the closing price reported in the active market in which the bond is traded, if available, and classified as Level 1 in the fair value hierarchy.

Realized gains and losses on securities sold are determined using the specific-identification method. Unrealized gains and losses are included in the investment return, net in the statements of activities and changes in net assets.

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	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 held in the name of 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.

Incurred but Not Reported Medical Claims

The statements of financial position include self-insurance liabilities with respect to the medical, prescription drug and dental insurance programs as of June 30, 2020 and 2019. These obligations represent an estimate of the expected ultimate cost for claims incurred but not paid. 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 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, 2020 and 2019.

Functional Expenses

All expenses relate to the operation and maintenance of the Diocesan High Schools. Expenses directly attributable to a specific functional area of the Diocesan High Schools are reported as expenses of those functional areas. Administration includes expenses of the administrative offices with the school as well as development and admission offices. Academic includes instruction, spiritual, technology and summer programs. Activities/athletics includes student clubs and sports, dances/proms, graduation, and booster clubs to support athletics. Other includes expenses related to school store, staff development center, and vacant properties.

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.

New Accounting Pronouncements

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue (Topic 606): Revenue from Contracts with Customers*, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts, whether or not written, with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of ASU 2014-09 is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by applying the five steps listed in the guidance. ASU 2014-09 also requires disclosure of both quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from customers. The new guidance, as amended, is effective for fiscal years beginning after December 15, 2019. Entities have the option of using either a full-retrospective or a modified-retrospective approach. Early adoption is permitted. The Diocesan High Schools are assessing the effect the adoption of ASU 2014-09 may have on the financial statements.

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, as amended, is effective for fiscal years beginning after December 15, 2021. 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 Diocesan High Schools are assessing the impact of the new standard at this time.

Recently Adopted Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Diocesan High Schools adopted the guidance during the year ended June 30, 2020 using the modified retrospective method and has determined that there is no effect on net assets in connection with the adoption of ASU 2018-08.

During 2020, the Diocesan High Schools adopted ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This guidance requires the service cost component of net periodic benefit cost for pension and other postretirement benefits be presented as a component part of employee benefit expense. The other components of net periodic benefit cost, such as interest, expected return on plan assets, and amortization of other actuarially determined amounts, are required to be presented as a nonoperating change in net assets without restrictions. These changes have been applied retrospectively in the 2019 statement of activities and changes in net assets by reclassifying

$115,556 of non-service related components of net periodic benefit cost from benefits expense to other nonoperating items in net assets without donor restriction.

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:

	2020	2019
Less than one year	$ 2,725,826	$ 1,836,743
One year to five years	727,843	3,026,549
	3,453,669	4,863,292
Less: allowance for doubtful accounts	(877,496)	(964,620)
Less: discount	(227,166)	(367,974)
	$ 2,349,007	$ 3,530,698

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, 2020 and 2019.

NOTE D - INVESTMENTS

At June 30, the Diocesan High Schools' investments are classified as follows:

	2020	2019
Mutual funds	$ 76,822,544	$ 76,438,470
Money market funds	304,484	585,820
Common stocks	54,578	66,779
Debt securities	702,784	1,205,325
	$ 77,884,390	$ 78,296,394

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; and

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 Diocesan 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 tables present the fair values of the investments held by the Diocesan High Schools by Level within the fair value hierarchy as of June 30, 2020 and 2019:

2020	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Assets				
Investments				
Mutual funds	$ 76,310,788	$ 511,756	$ -	$ 76,822,544
Money market funds	89,763	214,721	-	304,484
Common stocks	54,578	-	-	54,578
Debt securities	-	702,784	-	702,784
Total investments	$ 76,455,129	$ 1,429,261	$ -	$ 77,884,390
Beneficial interest in financially inter-related organizations	$ -	$ -	$ 14,510,305	$ 14,510,305

2019	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Assets				
Investments				
Mutual funds	$ 76,212,500	$ 225,970	$ -	$ 76,438,470
Money market funds	81,941	503,879	-	585,820
Common stocks	66,779	-	-	66,779
Debt securities	71,229	1,134,096	-	1,205,325
Total investments	$ 76,432,449	$ 1,863,945	$ -	$ 78,296,394
Beneficial interest in financially inter-related organizations	$ -	$ -	$ 14,726,996	$ 14,726,996

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment and accumulated depreciation at June 30 consist of:

	2020	2019
Land	$ 6,383,642	$ 6,383,642
Land improvements	18,429,173	18,261,010
Building	84,392,777	84,770,110
Building improvements	59,827,790	55,459,748
Leasehold improvements	7,540,135	7,567,344
Furniture and fixtures	22,177,216	20,620,934
Vehicles	587,640	454,617
Work in progress	445,618	49,372
	199,783,991	193,566,777
Accumulated depreciation	(90,810,288)	(83,710,211)
Property and equipment, net	$ 108,973,703	$ 109,856,566

Depreciation expense was $7,483,887 and $7,227,525 for the years ended June 30, 2020 and 2019, respectively.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	2020	2019
Net assets subject to time or use donor-imposed restrictions:		
Tuition assistance for all schools	$ 3,259,352	$ 3,296,787
Tuition assistance for specific schools	5,411,292	4,827,582
Property and equipment for Roman Catholic High School held by Trustees	11,011,319	11,390,309
Tuition assistance/operations/improvements for specific schools	665,939	652,879
Operations and improvements for specific schools	5,149,069	5,623,692
Accumulated earnings in excess of spending of endowments		
Tuition assistance for all schools	3,327,556	3,460,267
Tuition assistance for specific schools	326,713	404,425
Operations for Roman Catholic High School held by Trustees	845,921	899,759
Operations and improvements for all schools	20,931,509	21,576,834
Others, for specific schools	747,091	1,313,657
Total net assets subject to time or use donor-imposed restrictions	51,675,761	53,446,191

	2020	2019
Funds held in perpetuity:		
Tuition assistance for all schools	7,372,326	7,350,594
Tuition assistance for specific schools	6,320,110	6,326,048
Operations for Roman Catholic High School held by Trustees	1,303,260	1,303,260
Operations and improvements for all schools	25,931,692	25,931,693
Others, for specific schools	18,100	11,535
Total funds held in perpetuity	40,945,488	40,923,130
Total net assets with donor restrictions	$ 92,621,249	$ 94,369,321

NOTE H - ENDOWMENTS

The Diocesan 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 Diocesan High Schools follow the Commonwealth of Pennsylvania Act 141.

Interpretation of Relevant Law

In accordance with Commonwealth of Pennsylvania Act 141, and unless directed otherwise by the donor, the Diocesan High Schools classify as net assets with donor restrictions: (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 held in perpetuity is also included in net assets with donor restrictions until those amounts are appropriated for expenditure by the Diocesan High Schools in a manner consistent with the standard of prudence prescribed by relevant law. The Diocesan High Schools do not release any portion of the funds held in perpetuity. 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.

Return Objectives and Risk Parameters

The Diocesan 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 Diocesan 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.

Spending Policy

In accordance with state law, net realized and unrealized gains from funds held in perpetuity are included in net assets with donor restriction. Commonwealth of Pennsylvania law permits the Diocesan High Schools to adopt a spending policy for endowment earnings, subject to certain limitations. The Diocesan 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 Diocesan High Schools' spending policy for the years ended June 30, 2020 and 2019 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, 2020 and 2019, $40,945,488 and $40,923,130, respectively, in donor-restricted endowment funds held in perpetuity were included within net assets with donor restrictions.

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 funds to be held in perpetuity. There were no such deficiencies of this nature as of June 30, 2020 and 2019.

The Diocesan High Schools had the following endowment activities during the years ended June 30, 2020 and 2019. All endowment activities were donor restricted.

Endowment net assets, June 30, 2018	$ 66,976,557
Investment income	2,585,656
Net appreciation (realized and unrealized gains)	1,514,697
Total investment return	4,100,353
Contributions	242,395
Appropriation of endowment assets for expenditure	(2,860,480)
Change in financially inter-related organizations	119,247
Endowment net assets, June 30, 2019	68,578,072
Investment income	2,482,814
Net depreciation (realized and unrealized gains)	(891,085)
Total investment return	1,591,729
Contributions	131,166
Appropriation of endowment assets for expenditure	(3,122,851)
Change in financially inter-related organizations	(53,838)
Endowment net assets, June 30, 2020	$ 67,124,278

NOTE I - RELATED PARTY TRANSACTIONS

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

	2020	2019
Office of Catholic Education Administration Account	$ 20,537	$ 5,789
Roman Catholic Alumni Association	2,550	-
Friends of Father Judge	103,348	-
Archdiocese of Philadelphia Heritage of Faith	-	900,000
Schools of Special Education	6,755	32
Other	17,544	-
	$ 150,734	$ 905,821

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

	2020	2019
Office of Catholic Education Administration Account	$ 1,250,998	$ 114,327
Roman Catholic Alumni Association	-	133,365
Catholic Charities	6,624	7,000
Catholic Social Services	27,943	20,717
Office for Financial Services	282,725	280,800
Other	12,746	12,948
	$ 1,581,036	$ 569,157

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

During the years ended June 30, 2020 and 2019, the Diocesan High Schools entered into transactions with the following related parties:

- Archdiocese of Philadelphia's Risk Insurance Trust provides insurance for the Diocesan High Schools Total premiums paid for the years ended June 30, 2020 and 2019 were $1,823,124 and $1,315,181, respectively.

- The Diocesan High Schools paid $200,000 for both of the years ended June 30, 2020 and 2019 to Information Technology Services for support of computer systems.

- The Diocesan High Schools paid $4,541,181 and $4,611,869 for the years ended June 30, 2020 and 2019, respectively, to OCE for administrative costs.

- The Diocesan High Schools paid $196,011 and $800,000 for the years ended June 30, 2020 and 2019, respectively, to OCE for marketing costs.

- The Diocesan High Schools paid $49,000 for both of the years ended June 30, 2020 and 2019 to OFS for administrative costs associated with capital projects and legal services.

Notes Payable to Related Parties

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. The Diocesan High Schools' loans were related to the construction of Bishop Shanahan High School and Pope John Paul II High School.

On June 1, 2012, the Diocesan High Schools entered into term loan agreements with a three-year maturity with the following entities:

OFS	$	3,000,000
CCO		3,000,000
CHCS as Administrative Agent		71,357,582

CHCS served as Administrative Agent for 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.

On May 31, 2018, the Trust and Loan Fund of the Archdiocese of Philadelphia sold the in the stated principal amount of $4,200,000 to the Archdiocese of Philadelphia Priests' Retirement Benefits Funding Trust. The sold loan was priced as of the transaction date by an independent financial firm, reflecting a slight discount. At the time of the sale, the outstanding principal amount of the loan was $3,800,188. As a result of the sale, the stated interest rate of 4.0% remained the same, and there was a slight modification in the amortization schedule, which changed the maturity date to 2041.

During the years ended June 30, 2020 and 2019, the Diocesan High Schools made loan principal payments of $1,541,898 and $1,481,733, respectively.

The outstanding debt obligations at June 30 are as follows:

	2020	2019
Priest Pension Funding Trust	$ 3,596,790	$ 3,700,513
Catholic Housing and Community Services	47,196,539	48,634,714
Total notes payable to related parties	$ 50,793,329	$ 52,335,227

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 related parties are as follows for the years ending June 30:

2021	$	1,604,503
2022		1,669,653
2023		1,737,448
2024		1,807,996
2025		1,881,407
Thereafter		42,092,322
Total notes payable to related parties	$	50,793,329

Risk Mitigation Payment

In December 2019, in accordance with the plan established to fund the Independent Reconciliation and Reparations Program, the Diocesan High Schools made a $8,000,000 risk mitigation payment to OFS. OCE provided $757,059 to the Diocesan High Schools to assist in funding this payment. This transaction is reported as risk mitigation payment in the June 30, 2020 statement of activities and changes in net assets.

NOTE J - NOTES PAYABLE – SBA LOAN PROGRAM

Each high school was the recipient of a Paycheck Protection Program ("PPP") loan granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Under the program terms, PPP loans are forgiven and recognized as revenue if the loan proceeds are used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the loan.

NOTE K - EMPLOYEE BENEFITS

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.

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

Through June 30, 2014, the eligible lay employees of the Diocesan 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 LERP is administered by the trustees of the LERP.

The Diocesan High Schools made annual contributions to the LERP at an average rate of 5.9% of the salaries of the employees for the period from July 1, 2019 through September 13, 2019 and for the year ended June 30, 2019 of $1,656,604 and $2,845,404, respectively. The LERP Trustees approved suspending contributions into the LERP as of September 14, 2019. The contributions which would have gone into the LERP after September 14, 2019 were made to a special fund held by the Archdiocese of Philadelphia, OFS.

LERP contributions historically were assessed on a calendar year basis; therefore, contributions made for the period from January through June were a prepaid expense. Since contributions were made into the special fund instead of the LERP fund during the last two quarters of the fiscal year, there is no prepaid pension expense at June 30. The contributions to the special fund after December 31, 2019 totaled $1,219,510 and is shown in non-operating expense in the statement of activities and changes in net assets.

Estimates of the actuarially determined present value of accumulated plan benefits at June 30, 2020 totaled approximately $564,500,000. The actuarially determined present value of accumulated plan benefits at June 30, 2019 totaled approximately $582,000,000. At June 30, 2020 and 2019, the assets available to provide for these benefits totaled approximately $473,300,000 and $511,200,000, respectively.

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 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. For the years ended June 30, 2020 and 2019, 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 Diocesan High Schools into the 403(b) plan totaled $2,059,490 and $2,144,112 and the administrative charges totaled $156,044 and $167,311 for the years ended June 30, 2020 and 2019, respectively.

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 25 years of service, is between the ages of 59-1/2 and 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 their 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 their early retirement pension. A teacher who has 25 years of service, is between the ages of 55 and 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 their 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 their 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 their 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 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 300 days. In the event that a teacher has already accumulated more than 300 days, the teacher will retain the accumulated sick days but cannot accumulate additional days until all days over 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.

The Diocesan High Schools follow 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 LERP is measured as the difference between the plan assets at fair value, if any, and the accumulated postretirement benefit obligation.

Net Periodic Cost and Other Changes

The components of net periodic benefit costs and other benefit-related changes are as follows at June 30:

	2020	2019
Components of net periodic benefit cost recognized in employee benefits		
Service cost	$ 49,259	$ 46,889
Other components of net periodic benefit cost – included in other items		
Interest cost	45,753	61,331
Amortization of net loss	145,227	150,199
Amortization of prior service credit	(18,508)	(18,508)
	$ 172,472	$ 193,022
Benefit-related changes other than net periodic benefit cost – included in other items		
Net actuarial (gain) loss	$ (13,857)	$ 54,225
Amortization of prior service credit	18,508	18,508
Amortization of net loss	(145,227)	(150,199)
	$ (140,576)	$ (77,466)

Obligations and Funded Status

The following shows changes in the benefit obligation, plan assets and funded status at June 30:

	2020	2019
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	209,646	248,150
Plan participants' contributions	1,904	6,074
Benefit payments (expected)	(211,550)	(254,224)
Fair value of plan assets at end of year	$ -	$ -
Funded status		
Funded status at end of year	$ (1,630,632)	$ (1,759,123)

	2020	2019
Change in benefit obligation		
Benefit obligation at beginning of year	$ 1,759,123	$ 1,844,828
Service cost	49,259	46,889
Interest cost	45,753	61,331
Actual plan participants' contributions	1,904	6,074
Actuarial (gain) loss	(13,857)	54,225
Actual benefits paid	(211,550)	(254,224)
Benefit obligation at end of year	$ 1,630,632	$ 1,759,123
Amounts recognized in net assets without donor restriction		
Net actuarial loss	$ 2,288,177	$ 2,447,261
Prior service credit	(113,263)	(131,771)
	$ 2,174,914	$ 2,315,490
Information for plans with accumulated benefit obligation in excess of plan assets		
Projected benefit obligation	$ 1,630,632	$ 1,759,123
Accumulated benefit obligation	1,630,632	1,759,123

The estimated amount that will be amortized from net assets without donor restrictions to net periodic benefit cost is as follows at June 30:

	2020	2019
Net loss	$ 139,994	$ 146,067
Prior service credit	(18,508)	(18,508)

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

	2020	2019
Discount rate	2.50%	3.25%
Healthcare cost trend	6.80%	7.20%
Ultimate rate of increase	4.50%	4.50%
Year that ultimate rate is attained	2026	2026

A 1% change in amended healthcare cost trend rates would have the following effect:

	1% point increase	1% point decrease
Effect on service cost and interest cost	$ 1,643	$ (1,362)
Effect on accumulated benefit obligation	15,694	(13,355)

Plan Assets

There are no plan assets.

Cash Flows and Estimated Future Benefit Payments

Employer contributions June 30, 2021 (expected)	$ 161,000
Expected benefit payments for the years ending June 30:	
2021	$ 161,000
2022	154,000
2023	108,000
2024	105,000
2025	101,000
2026 - 2030	487,000

NOTE L - FUNCTIONAL EXPENSES

The Diocesan High Schools provide services in order to operate and maintain schools included in Note A. Expenses by functional and natural classification related to providing these services are as follows for the years ended June 30, 2020 and 2019:

	Administration	Academic	Activities/ athletics	Others	2020 Total
Salaries	$ 10,616,261	$ 39,483,995	$ 3,718,373	$ 234,464	$ 54,053,093
Employee benefits	2,081,296	16,271,119	651,625	235,033	19,239,073
Purchased services	9,774,983	4,010,068	2,019,086	97,653	15,901,790
Plant	653,500	11,216,870	2,848,283	478	14,719,131
Support expenses	3,226,548	4,790,215	3,338,745	64,832	11,420,340
Debt service	2,070,472	-	-	-	2,070,472
Total	$ 28,423,060	$ 75,772,267	$ 12,576,112	$ 632,460	$117,403,899

	Administration	Academic	Activities/ athletics	Others	2019 Total
Salaries	$ 10,579,027	$ 41,145,777	$ 4,139,654	$ 465,268	$ 56,329,726
Employee benefits	1,902,687	17,320,761	748,557	616,568	20,588,573
Purchased services	10,428,962	4,287,236	2,706,159	969,878	18,392,235
Plant	923,390	11,206,480	2,763,170	20,336	14,913,376
Support expenses	3,770,763	4,114,046	4,339,390	377,286	12,601,485
Debt service	2,130,637	-	-	-	2,130,637
Total	$ 29,735,466	$ 78,074,300	$ 14,696,930	$ 2,449,336	$124,956,032

NOTE M - LEASE COMMITMENTS

The Diocesan High Schools have entered into lease agreements for equipment and vehicles which expire at various dates through 2025. 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, 2020:

2021	$ 648,002
2022	367,408
2023	242,075
2024	111,991
2025	49,923
	$ 1,419,399

Lease expenses were $847,709 and $676,353 for the years ended June 30, 2020 and 2019, respectively.

NOTE N - LIQUIDITY AND FUNDS AVAILABLE

The following reflects the Diocesan High Schools financial assets as of the June 30, 2020 and 2019, reduced by amounts not available for general use within one year because of donor-imposed restrictions or internal designations. Amounts available include annual distributions from the restricted funds. In addition, the Diocesan High Schools expect to receive funding during the year ended June 30, 2021 of $72,258,337 from tuition and $21,302,192 in fees revenue and $8,679,672 from unrestricted donations.

	June 30, 2020	June 30, 2019
Financial Assets:		
Cash and cash equivalents	$ 34,464,724	$ 28,973,733
Parental tuition and fees receivable, net	1,970,127	2,405,214
Other receivables and due from related organizations	3,490,915	4,715,245
Pledges receivable, net	2,349,007	3,530,698
Investments	77,884,390	78,296,394
Financial assets, at year-end	120,159,163	117,921,284
Less those unavailable for general expenditure within one year due to:		
Donor-imposed restrictions:		
Endowment funds	39,596,171	39,563,087
Tuition assistance	11,843,390	11,550,399
Operations and improvement	23,196,093	23,553,042
Restricted pledges receivable	2,186,939	3,405,312
Other donor imposed restrictions	1,495,299	1,947,610
Unrestricted pledges collectible beyond one year	140,439	30,387
Financial assets available to meet cash needs for general expenditures within one year	$ 41,700,832	$ 37,871,447

NOTE O - CONTRIBUTED SERVICES

Contributed services consist of the following for the years ended June 30:

	2020	2019
Salaries and benefits	$ 3,430,672	$ 3,360,521
Expended for services		
Salaries, related employee benefits and faculty house expenses	(2,521,300)	(2,799,427)
Total contributed services	$ 909,372	$ 561,094

NOTE P - INCOME TAXES

As part of the Archdiocese of Philadelphia, OCE, which includes the Diocesan High Schools, has received exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code. The Diocesan 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 Diocesan High Schools do not believe their financial statements include any material uncertain tax positions.

NOTE Q - SUBSEQUENT EVENTS

The Diocesan High Schools have evaluated subsequent events through November 24, 2020, the date which the financial statements were available for distribution, noting the following:

On November 18, 2020, the Archdiocese of Philadelphia and FIF announced that John W. Hallahan Catholic Girls High School and Bishop McDevitt High School would close at the end of the 2020-21 academic year.