Financial Statements and Report of Independent Certified Public Accountants

Archdiocese of Philadelphia, Office of Catholic Education High Schools

June 30, 2021 and 2020

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities and changes in net assets	6
Statements of cash flows	8
Notes to financial statements	9

GRANT THORNTON LLP
Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103

D +1 215 561 4200
F +1 215 561 1066

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, 2021 and 2020, 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, 2021 and 2020, 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 Diocesan High Schools within the Archdiocese of Philadelphia. Our opinion is not modified with respect to this matter.

Grant Thornton LLP

Philadelphia, Pennsylvania
December 6, 2021

Archdiocese of Philadelphia, Office of Catholic Education High Schools

STATEMENTS OF FINANCIAL POSITION

As of June 30,

	2021	2020
ASSETS		
Cash and cash equivalents, including amounts held by affiliate	$ 39,727,991	$ 34,464,724
Parental tuition and fees receivable, less allowance for doubtful accounts of $2,682,921 and 4,384,480, respectively	1,409,547	1,970,127
Due from related organizations (Note I)	17,394	150,734
Pledges receivable, net (Note C)	3,086,797	2,349,007
Other receivables	737,278	3,340,181
Prepaid expenses and other assets	1,287,831	522,707
Beneficial interest in financially inter-related organizations (Note E)	17,296,487	14,510,305
Investments (Notes D and E)	98,815,777	77,884,390
Right-of-use assets – operating leases (Note M)	1,295,494	-
Right-of-use assets – finance leases (Note M)	273,730	-
Property and equipment, net (Note F)	105,306,003	108,973,703
Total assets	$ 269,254,329	$ 244,165,878
LIABILITIES AND NET ASSETS		
Accounts payable	$ 4,919,790	$ 5,354,686
Accrued payroll	5,326,268	5,434,802
Accrued non-pension retirement benefits (Note K)	1,534,331	1,630,632
Accrued vacation (Note K)	716,722	797,809
Incurred but not reported medical claims (Note B)	638,000	754,000
Due to related organizations (Note I)	305,697	1,581,036
Deferred revenue	13,065,145	11,659,796
Lease liability - operating leases (Note M)	1,298,269	-
Lease liability - finance leases (Note M)	204,120	-
Notes payable - SBA loan program (Note J)	-	11,051,582
Notes payable to related parties (Note I)	49,188,825	50,793,329
Total liabilities	77,197,167	89,057,672
Net assets		
Without donor restrictions	75,450,535	62,486,957
With donor restrictions (Note G)	116,606,627	92,621,249
Total net assets	192,057,162	155,108,206
Total liabilities and net assets	$ 269,254,329	$ 244,165,878

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Tuition and fees, net	$ 92,095,970	$ -	$ 92,095,970
Donations	9,437,250	7,955,335	17,392,585
Gain on extinguishment of notes payable (Note J)	11,051,582	-	11,051,582
Fundraising income, net of disbursements	460,537	138,141	598,678
Resale items, net of purchases	126,957	-	126,957
Commissions	400,456	-	400,456
Rental income	1,353,894	-	1,353,894
Ticket sales	369,351	-	369,351
Program revenue	240,065	-	240,065
Other revenues	1,621,803	696,290	2,318,093
Investment return, net	514,065	21,633,832	22,147,897
Contributed services (Note O)	731,707	-	731,707
Total other operating revenues	26,307,667	30,423,598	56,731,265
Net assets released from restriction			
Satisfaction of purpose restrictions - CL2000	1,875,310	(1,875,310)	-
Satisfaction of purpose restrictions - Heritage of Faith	800,000	(800,000)	-
Satisfaction of purpose restrictions - General	6,238,042	(6,238,042)	-
Total revenues	127,316,989	21,510,246	148,827,235
Expenses:			
Salaries	51,664,800	-	51,664,800
Employee benefits	19,936,870	-	19,936,870
Purchased services	14,993,051	-	14,993,051
Plant	14,799,383	-	14,799,383
Support expenses	11,198,241	-	11,198,241
Debt service	2,007,865	-	2,007,865
Total expenses	114,600,210	-	114,600,210
Change in net assets before other items	12,716,779	21,510,246	34,227,025
Change in beneficial interest in financially inter-related organizations	441,704	2,344,478	2,786,182
Benefit-related changes other than net periodic benefit costs (Note K)	173,001	-	173,001
Other components of net periodic benefit costs (Note K)	(160,304)	-	(160,304)
Loss on sale of property	(39,641)	-	(39,641)
Change in designation of net assets	(167,961)	130,654	(37,307)
Change in net assets	12,963,578	23,985,378	36,948,956
Net assets, beginning of year	62,486,957	92,621,249	155,108,206
Net assets, end of year	$ 75,450,535	$ 116,606,627	$ 192,057,162

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Tuition and fees, net	$ 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 items, 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)
Benefit-related changes other than net periodic benefit costs (Note K)	140,576	-	140,576
Other components of net periodic benefit costs (Note K)	(172,472)	-	(172,472)
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

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 36,948,956	$ (9,367,487)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	7,563,798	7,483,887
Bad debt expense	68,660	884,617
Loss on sale of property	39,641	60,590
Net change in unrealized (gains) losses on investments	(16,900,638)	801,548
Net realized gains on investments	(2,420,206)	(34,316)
Change in beneficial interest in financially inter-related organizations	(2,786,182)	216,691
Contributions restricted for long-term purposes	(76,614)	(78,611)
Gain on extinguishment of notes payable	(11,051,582)	-
Changes in assets and liabilities:		
Parental tuition and fees receivable	491,920	(449,531)
Due from related organizations	133,340	755,087
Pledges receivable, net	(737,790)	1,181,691
Other receivables	2,602,903	469,243
Right-of-use assets – operating leases	(1,295,494)	-
Right-of-use assets – finance leases	89,105	-
Prepaid expenses and other assets	(765,124)	1,591,594
Accounts payable	(434,896)	217,459
Accrued payroll	(108,534)	(488,726)
Accrued non-pension retirement benefits	(96,301)	(128,491)
Accrued vacation	(81,087)	2,965
Incurred but not reported medical claims	(116,000)	1,000
Due to related organizations	(1,275,339)	1,011,879
Lease liability – operating leases	1,298,269	-
Lease liability – finance leases	204,120	-
Deferred revenue	1,405,349	(1,211,551)
Net cash provided by operating activities	12,700,274	2,919,538
Cash flows from investing activities:		
Purchase of property and equipment	(4,508,024)	(6,783,334)
Proceeds from sale of property	209,450	121,720
Proceeds from sale of investments	11,241,475	10,472,752
Purchase of investments	(12,852,018)	(10,827,980)
Net cash used in investing activities	(5,909,117)	(7,016,842)
Cash flows from financing activities:		
Proceeds from notes payable - SBA loan program	-	11,051,582
Repayments of notes payable to related parties	(1,604,504)	(1,541,898)
Contributions restricted for long-term purposes	76,614	78,611
Net cash (used in) provided by financing activities	(1,527,890)	9,588,295
Net increase in cash and cash equivalents, including amounts held by affiliate	5,263,267	5,490,991
Cash and cash equivalents, including amounts held by affiliate, beginning of year	34,464,724	28,973,733
Cash and cash equivalents, including amounts held by affiliate, end of year	$ 39,727,991	$ 34,464,724
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,007,865	$ 2,070,472
Change in property and equipment from adoption of ASC 842	$ 362,835	$ -

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")
- Office of Catholic Cemeteries ("OCC")
- Lay Employees Retirement Plan
- Risk Insurance Trust
- Welfare Benefits Trust
- Deposit and Loan Program Trust
- Independent Reconciliation and Reparations Trust
- Heritage of Faith ~ Vision of Hope
- Archdiocese of Philadelphia Priest's Retirement Benefits Funding Trust
- Trustees of Roman Catholic High School
- Nutritional Development Services of the Archdiocese of Philadelphia

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 was for a period of five school years and renews automatically 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 4 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.

As announced on November 18, 2020 by the Archdiocese of Philadelphia and FIF, John W. Hallahan Catholic Girls High School and Bishop McDevitt High School closed at the end of the 2020-2021 academic year.

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 and full in-person instruction resumed in the fall of 2021.

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

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to improve financial reporting by creating common revenue recognition guidance. The core principle of this guidance is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services at the date the performance obligation has occurred. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model includes (i) identifying the contract(s) with a customer; (ii) identifying the performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations in the contract; and (v) recognizing revenue when (or as) the entity satisfies a performance obligation. The Diocesan High Schools adopted the guidance during the year ended June 30, 2021 using the modified retrospective method and determined that there is no effect on net assets in connection with the adoption of ASU 2014-09.

Tuition and Fees

The Diocesan High Schools recognize revenue from student tuition and other school fees within the fiscal year in which educational services are provided. As a result of the adoption of Topic 606, tuition and fees revenue are recorded net of discounts and waivers (“tuition reductions”) and scholarships and tuition assistance, which represent the difference between the stated charge for tuition and fees and the amount billed to the student or third parties making payments on behalf of the student. Tuition and other school fees collected for the upcoming school year are included in deferred revenue and recognized as revenue ratably over the applicable school year.

The following table details the tuition and fees, net for the years ended June 30:

	2021	2020
Basic tuition	$ 86,793,096	$ 88,014,066
Special tuition	160,741	160,719
International tuition	158,919	318,270
School fee	15,302,357	15,539,342
Other school fees	5,338,390	5,470,250
	107,753,503	109,502,647
Less: tuition reductions	(7,003,582)	(6,124,786)
Less: scholarships and tuition assistance	(8,653,951)	(8,221,751)
Tuition and fees, net	$ 92,095,970	$ 95,156,110

Registration fees and re-registration fees are recognized upon registration since these fees are non-refundable. For the years ended June 30, 2021 and 2020, registration and re-registration fees of $1,572,973 and $1,719,373, respectively, are included in other school fees.

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.

Contributions and Donations

The Diocesan High Schools recognize revenue from gifts and grants in accordance with ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with Topic 958, the Diocesan High Schools evaluate whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Diocesan High Schools apply the guidance under Topic 606. If the transfer of assets is determined to be a contribution, the Diocesan High Schools evaluate whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the School is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Cash contributions and fundraising revenues are recorded as revenue when received. Unconditional promises to give are recorded at their fair value when the Diocesan High Schools are 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 the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions 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 restrictions.

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.

Other sources of revenue not otherwise categorized are recognized in the fiscal year in which they are earned.

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, 2021 and 2020, the Diocesan High Schools have cash balances on deposit with financial institutions that exceed the balance insured by the Federal Deposit Insurance Corporation. The Diocesan High Schools have not experienced any losses in such 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. If such information is not available, debt securities 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.

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.

Leases

The Diocesan High Schools elected to early adopt ASU 2016-02, *Leases*, as amended, effective July 1, 2020, as permitted in the guidance, using the modified retrospective approach. The Diocesan High Schools have also elected to utilize the available practical expedients. Upon implementation, the Diocesan High Schools recognized and measured leases existing at, or entered into after July 1, 2020 on the statement of financial position, while lessor accounting remains substantially unchanged. The Diocesan High Schools recognized a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable otherwise, the Diocesan High Schools use its incremental borrowing rate. The implicit rates for some of the Diocesan High Schools leases are not readily determinable and accordingly, the incremental borrowing rate was based on the information available at the commencement date for all leases. The Diocesan High Schools' incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term. An adjustment of $37,307 to beginning net assets was made in connection with the adoption of the standard and included in the change in designation of net assets in the June 30, 2021 statement of activities and changes in net assets.

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, 2021 and 2020. 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, 2021 and 2020.

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.

Recently Issued Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The guidance requires contributed nonfinancial assets to be presented as a separate line item on the statements of activities, apart from cash and other financial asset contributions. The guidance also requires disclosure of the types of contributed nonfinancial assets and, for each category, information about whether the assets were monetized or utilized, a description of the policies to monetize or utilize such assets, a description of donor-imposed restrictions associated with the contributions, and a description of the valuation techniques and principal market used to arrive at a fair value measure at initial recognition. ASU 2020-07 is effective for years beginning after June 15, 2021. Organizations are required to apply the guidance on a retrospective basis. The Diocesan High Schools do not anticipate that the adoption of the standard will have a significant effect on its financial statements.

Reclassifications

Certain amounts in the prior year's statement of activities and changes in net assets have been reclassified to conform to the presentation in the current year's financial statements primarily due to recently adopted accounting pronouncement. This reclassification had no effect on the reported results.

NOTE C - PLEDGES RECEIVABLE, NET

A summary of pledges receivable is as follows at June 30:

	2021	2020
Less than one year	$ 1,164,760	$ 2,725,826
One year to five years	2,392,000	727,843
	3,556,760	3,453,669
Less: allowance for doubtful accounts	(300,452)	(877,496)
Less: discount	(169,511)	(227,166)
	$ 3,086,797	$ 2,349,007

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, 2021 and 2020.

NOTE D - INVESTMENTS

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

	2021	2020
Mutual funds	$ 97,469,725	$ 76,822,544
Money market funds	824,758	304,484
Common stocks	245,309	54,578
Debt securities	275,985	702,784
	$ 98,815,777	$ 77,884,390

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.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, modifying the disclosure requirements on fair value measurement. The amendments in the ASU are effective for all entities with annual periods beginning after December 15, 2019, however early adoption was permitted. The Diocesan High Schools adopted ASU 2018-13 for the year ended June 30, 2021. The adoption of this guidance did not have a material impact on the Diocesan High Schools' financial statements.

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:

2021	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	$ 96,892,486	$ 577,239	$ -	$ 97,469,725
Money market funds	77,407	747,351	-	824,758
Common stocks	245,309	-	-	245,309
Debt securities	275,985	-	-	275,985
Total investments	$ 97,491,187	$ 1,324,590	$ -	$ 98,815,777
Beneficial interest in financially inter-related organizations	$ -	$ -	$ 17,296,487	$ 17,296,487

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

The table below sets forth a summary of changes in the fair value of Diocesan High Schools' Level 3 assets for the years ended June 30, 2021 and 2020:

Balance at June 30, 2019	$ 14,726,996
Change in fair value of assets	(216,691)
Balance at June 30, 2020	14,510,305
Change in fair value of assets	2,786,182
Balance at June 30, 2021	$ 17,296,487

NOTE F - PROPERTY AND EQUIPMENT, NET

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

	2021	2020
Land	$ 6,383,642	$ 6,383,642
Land improvements	19,824,875	18,429,173
Building	83,991,387	84,392,777
Building improvements	61,392,159	59,827,790
Leasehold improvements	7,756,065	7,540,135
Furniture and fixtures	23,064,066	22,177,216
Vehicles	561,654	587,640
Work in progress	290,832	445,618
	203,264,680	199,783,991
Accumulated depreciation	(97,958,677)	(90,810,288)
Property and equipment, net	$ 105,306,003	$ 108,973,703

Depreciation expense was $7,563,798 and $7,483,887 for the years ended June 30, 2021 and 2020, respectively.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Net assets subject to time or use donor-imposed restrictions:		
Tuition assistance for all schools	$ 4,256,727	$ 3,259,352
Tuition assistance for specific schools	6,623,924	5,411,292
Property and equipment for Roman Catholic High School held by Trustees	10,329,140	11,011,319
Tuition assistance/operations/improvements for specific schools	838,049	665,939
Operations and improvements for specific schools	5,412,396	2,850,434
Others, for specific schools	4,341,419	2,298,635
Accumulated earnings in excess of spending of endowments		
Tuition assistance for all schools	6,070,201	3,327,556
Tuition assistance for specific schools	2,244,097	326,713
Operations for Roman Catholic High School held by Trustees	1,395,197	845,921
Operations and improvements for all schools	33,730,465	20,931,509
Others, for specific schools	54,421	747,091
Total net assets subject to time or use donor-imposed restrictions	75,296,036	51,675,761
Funds held in perpetuity:		
Tuition assistance for all schools	7,660,813	7,372,326
Tuition assistance for specific schools	6,371,725	6,320,110
Operations for Roman Catholic High School held by Trustees	1,303,260	1,303,260
Operations and improvements for all schools	25,931,692	25,931,692
Others, for specific schools	43,101	18,100
Total funds held in perpetuity	41,310,591	40,945,488
Total net assets with donor restrictions	$ 116,606,627	$ 92,621,249

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, 2021 and 2020 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, 2021 and 2020, $41,310,591 and $40,945,488, 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, 2021 and 2020.

The Diocesan High Schools had the following endowment activities during the years ended June 30, 2021 and 2020. All endowment activities were donor restricted.

Endowment net assets, June 30, 2019	$ 68,578,072
Investment income	2,482,814
Net depreciation (realized and unrealized losses)	(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
Investment income	2,443,831
Net appreciation (realized and unrealized gains)	17,320,883
Total investment return	19,764,714
Contributions	79,360
Appropriation of endowment assets for expenditure	(2,712,656)
Change in financially inter-related organizations	549,276
Endowment net assets, June 30, 2021	$ 84,804,972

NOTE I - RELATED PARTY TRANSACTIONS

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

	2021	2020
Roman Catholic Alumni Association	$ 7,968	$ 2,550
Office of Catholic Education Administration Account	-	20,537
Friends of Father Judge	-	103,348
Schools of Special Education	240	6,755
Other	9,186	17,544
	$ 17,394	$ 150,734

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

	2021	2020
Office for Financial Services	$ 280,980	$ 282,725
Office of Catholic Education Administration Account	-	1,250,998
Catholic Charities	-	6,624
Catholic Social Services	21,589	27,943
Other	3,128	12,746
	$ 305,697	$ 1,581,036

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

During the years ended June 30, 2021 and 2020, 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, 2021 and 2020 were $1,807,878 and $1,823,124, respectively.
- The Diocesan High Schools paid $200,000 for both of the years ended June 30, 2021 and 2020 to Information Technology Services for support of computer systems.
- The Diocesan High Schools paid $4,552,994 and $4,541,181 for the years ended June 30, 2021 and 2020, respectively, to OCE for administrative costs.
- The Diocesan High Schools paid $65,112 and $196,011 for the years ended June 30, 2021 and 2020, respectively, to OCE for marketing costs.
- The Diocesan High Schools paid $49,000 for both of the years ended June 30, 2021 and 2020 to OFS for administrative costs associated with capital projects and legal services.
- The Diocesan High Schools received donations of $800,000 for both of the years ended June 30, 2021 and 2020 from the Heritage of Faith ~ Vision of Hope.

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
OCC	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 loan carries 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 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, 2021 and 2020, the Diocesan High Schools made loan principal payments of $1,604,504 and $1,541,898, respectively.

The outstanding debt obligations at June 30 are as follows:

	2021	2020
Priest Pension Funding Trust	$ 3,488,857	$ 3,596,790
Catholic Housing and Community Services	45,699,968	47,196,539
Total notes payable to related parties	$ 49,188,825	$ 50,793,329

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:

2022	$ 1,669,653
2023	1,737,448
2024	1,807,996
2025	1,881,407
2026	1,957,799
Thereafter	40,134,522
Total notes payable to related parties	$ 49,188,825

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 an $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"), that is reflected as a liability as of June 30, 2020. This program was designed to help businesses with funds to cover compensation costs and other qualifying expenses (mortgage interest, rent and utilities). Under the program terms, PPP loans are forgiven if the loan proceeds have been used as outlined in the guidelines. Qualifying expenses were incurred and official loan forgiveness was received during the year ended June 30, 2021, thus each high school recognized the forgiveness of the loan as gain on extinguishment of notes payable in the June 30, 2021 statement of activities and changes in net assets.

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 August 14, 2020 through June 30, 2021 and for the period ended July 1, 2019 through September 13, 2019 of $2,544,609 and $1,656,604, respectively. The expense of such contributions is included in employee benefits. Separate accounts for vested benefits and pension fund assets are not maintained for each institution. The Plan Trustees approved suspending contributions into the Plan as of September 14, 2019 and reinstated the contributions effective August 14, 2020. The contributions which would have gone into the Plan between September 14, 2019 and August 13, 2020 were made to a special fund held by the Archdiocese of Philadelphia, OFS. During the year ended June 30, 2020, the contributions made to the special fund after December 31, 2019 in the amount of $1,219,510 were shown as other 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, 2021 and 2020 totaled approximately $599,400,000 and $564,500,000, respectively. At June 30, 2021 and 2020, the assets available to provide for these benefits totaled approximately $573,800,000 and $473,300,000, 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, 2021 and 2020, 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 $1,916,807 and $2,059,490 and the administrative charges totaled $133,616 and $156,044 for the years ended June 30, 2021 and 2020, 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 59½ 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.

The Diocesan High Schools follow ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, and present the service cost component of net periodic benefit cost for pension and other postretirement benefits 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 presented as a nonoperating change in net assets without restrictions.

Net Periodic Cost and Other Changes

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

	2021	2020
Components of net periodic benefit cost recognized in employee benefits		
Service cost	$ 51,711	$ 49,259
Other components of net periodic benefit cost - included in other items		
Interest cost	$ 33,889	$ 45,753
Amortization of net loss	144,923	145,227
Amortization of prior service credit	(18,508)	(18,508)
	$ 160,304	$ 172,472
Benefit-related changes other than net periodic benefit cost - included in other items		
Net actuarial gains	$ (46,586)	$ (13,857)
Amortization of prior service credit	18,508	18,508
Amortization of net loss	(144,923)	(145,227)
	$ (173,001)	$ (140,576)

Obligations and Funded Status

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

	2021	2020
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	135,315	209,646
Plan participants' contributions	-	1,904
Benefit payments (expected)	(135,315)	(211,550)
Fair value of plan assets at end of year	$ -	$ -
Funded status		
Funded status at end of year	$ (1,534,331)	$ (1,630,632)

	2021	2020
Change in benefit obligation		
Benefit obligation at beginning of year	$ 1,630,632	$ 1,759,123
Service cost	51,711	49,259
Interest cost	33,889	45,753
Actual plan participants' contributions	-	1,904
Actuarial gain	(46,586)	(13,857)
Actual benefits paid	(135,315)	(211,550)
Benefit obligation at end of year	$ 1,534,331	$ 1,630,632
Amounts recognized in net assets without donor restriction		
Net actuarial loss	$ 2,096,668	$ 2,288,177
Prior service credit	(94,755)	(113,263)
	$ 2,001,913	$ 2,174,914
Information for plans with accumulated benefit obligation in excess of plan assets		
Projected benefit obligation	$ 1,534,331	$ 1,630,632
Accumulated benefit obligation	1,534,331	1,630,632

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

	2021	2020
Net actuarial loss	$ 135,323	$ 139,994
Prior service credit	(18,508)	(18,508)

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

	2021	2020
Discount rate	2.50%	2.50%
Healthcare cost trend	6.40%	6.80%
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	$ 1,356	$ (1,126)
Effect on accumulated benefit obligation	14,987	(12,839)

Plan Assets

There are no plan assets.

Cash Flows and Estimated Future Benefit Payments

Employer contributions June 30, 2022 (expected)	$	172,000
Expected benefit payments for the years ending June 30:		
2022	$	172,000
2023		106,000
2024		104,000
2025		98,000
2026		108,000
2027 - 2031		505,000

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:

	Administration	Academic	Activities/ Athletics	Other	2021 Total
Salaries	$ 9,965,608	$ 37,956,271	$ 3,669,903	$ 73,018	$ 51,664,800
Employee benefits	2,229,561	16,961,204	731,977	14,128	19,936,870
Purchased services	8,481,912	4,413,006	1,957,291	140,842	14,993,051
Plant	616,059	11,283,849	2,899,174	301	14,799,383
Support expenses	2,397,070	6,130,962	2,639,231	30,978	11,198,241
Debt service	2,007,865	-	-	-	2,007,865
Total	$ 25,698,075	$ 76,745,292	$ 11,897,576	$ 259,267	$ 114,600,210

	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

NOTE M - LEASES

The Diocesan High Schools have entered into lease agreements for equipment and vehicles which expire at various dates through 2026. The options to renew the leases were not considered when assessing the value of the ROU asset if the Diocesan High Schools were not reasonably certain that it would assert its option to renew the lease.

Quantitative information regarding the Diocesan High Schools' leases for the year ended June 30, 2021 is as follows:

	Finance Leases	Operating Leases
Lease cost	$ 72,909	$ 653,266
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	-	653,266
Financing cash flows	72,909	-
ROU assets obtained in exchange for lease liabilities at adoption	307,436	1,491,491
ROU assets obtained in exchange for new lease liabilities	-	566,583
Weighted-average remaining lease term (in years)	3.10	2.62
Weighted-average discount rate	4%	4%

Principal payments in future years are as follows:

Year Ending June 30,	Finance Leases	Operating Leases	Total
2022	$ 79,245	$ 610,685	$ 689,930
2023	61,697	448,259	509,956
2024	52,082	209,434	261,516
2025	23,637	86,591	110,228
2026	-	10,095	10,095
Total minimum payments	216,661	1,365,064	1,581,725
Less present value discount	(12,541)	(66,795)	(79,336)
Total	$ 204,120	$ 1,298,269	$ 1,502,389

NOTE N - LIQUIDITY AND FUNDS AVAILABLE

The following reflects the Diocesan High Schools financial assets as of June 30, reduced by amounts not available for general use within one year because of donor-imposed restrictions or internal designations. Amounts available include anticipated annual distributions from the restricted funds. In addition, the Diocesan High Schools expect to receive funding during the year ended June 30, 2022 of $85,312,450 from tuition, $20,827,143 in fees revenue and $8,394,564 from unrestricted donations.

	2021	2020
Financial Assets:		
Cash and cash equivalents, including amounts held by affiliate	$ 39,727,991	$ 34,464,724
Parental tuition and fees receivable, net	1,409,547	1,970,127
Other receivables and due from related organizations	754,672	3,490,915
Pledges receivable, net	3,086,797	2,349,007
Investments	98,815,777	77,884,390
Financial assets, at year-end	143,794,784	120,159,163
Less those unavailable for general expenditure within one year due to:		
Donor-imposed restrictions:		
Endowment funds	39,981,321	39,596,171
Tuition assistance	16,902,661	11,843,390
Operations and improvement	36,288,811	23,196,093
Restricted pledges receivable	3,066,275	2,186,939
Other donor-imposed restrictions	3,719,723	1,495,299
Unrestricted pledges collectible beyond one year	12,700	140,439
Financial assets available to meet cash needs for general expenditures within one year	$ 43,823,293	$ 41,700,832

NOTE O - CONTRIBUTED SERVICES

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

	2021	2020
Salaries and benefits - lay equivalent value	$ 3,008,011	$ 3,430,672
Expended for services		
Salaries, related employee benefits and faculty house expenses	(2,276,304)	(2,521,300)
Total contributed services	$ 731,707	$ 909,372

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 December 6, 2021, the date which the financial statements were available for distribution, noting the following:

On July 15, 2021, the Diocesan High Schools sold its Archbishop Prendergast property in Drexel Hill, Pennsylvania for $3,000,000.