

Financial Statements and Report of
Independent Certified Public
Accountants

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

June 30, 2025 and 2024

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Archbishop of Philadelphia
Archdiocese of Philadelphia

Opinion

We have audited the 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, 2025 and 2024, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Diocesan High Schools as of June 30, 2025 and 2024, 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.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Diocesan High Schools and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Diocesan High Schools’ ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Diocesan High Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Diocesan High Schools' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Philadelphia, Pennsylvania
December 5, 2025

Archdiocese of Philadelphia, Office of Catholic Education High Schools

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents, including amounts held by affiliate	\$ 45,432,959	\$ 42,536,321
Parental tuition and fees receivable, less allowance for credit losses of \$1,954,833 and \$2,149,870, respectively	1,463,283	1,540,272
Due from related organizations (Note J)	193,394	39,794
Pledges receivable, net (Note C)	2,521,640	2,111,112
Other receivables	2,673,262	3,599,903
Prepaid expenses and other assets	829,028	1,212,806
Beneficial interest in financially inter-related organizations	17,540,290	15,295,344
Investments (Note D)	151,984,301	141,760,610
Right-of-use assets - operating leases (Note M)	719,379	823,539
Right-of-use assets - finance leases (Note M)	-	146,821
Property and equipment, net (Note F)	120,909,209	106,489,857
Property held for sale (Note F)	88,827	88,827
	<u> </u>	<u> </u>
Total assets	<u>\$ 344,355,572</u>	<u>\$ 315,645,206</u>
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 5,749,798	\$ 4,641,291
Accrued payroll	5,842,219	5,491,509
Accrued non-pension retirement benefits (Note K)	1,109,915	1,109,358
Accrued vacation (Note K)	950,690	858,463
Incurred but not reported medical claims	709,000	561,000
Due to related organizations (Note J)	62,126	1,045,873
Deferred revenue	16,917,662	16,886,870
Deferred lease payment	12,124,038	12,203,132
Lease liability - operating leases (Note M)	719,379	823,540
Lease liability - finance leases (Note M)	-	23,441
Notes payable to related parties (Note J)	27,113,900	29,335,692
	<u> </u>	<u> </u>
Total liabilities	<u>71,298,727</u>	<u>72,980,169</u>
 Net assets		
Without donor restrictions (Note G)	148,255,833	126,079,014
With donor restrictions (Note H)	124,801,012	116,586,023
	<u> </u>	<u> </u>
Total net assets	<u>273,056,845</u>	<u>242,665,037</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 344,355,572</u>	<u>\$ 315,645,206</u>

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, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Tuition and fees, net	\$ 105,511,926	\$ -	\$ 105,511,926
Contributions of cash and other financial assets	8,926,669	6,919,649	15,846,318
Contributions of nonfinancial assets			
Contributed services (Note O)	377,889	-	377,889
Other in-kind contributions	10,411,460	-	10,411,460
Grant revenue	503,899	1,446,398	1,950,297
Fundraising income, net of fundraising costs of \$2,824,986	1,089,015	100,733	1,189,748
Resale items, net of purchases	194,448	-	194,448
Commissions	1,095,105	-	1,095,105
Rental income	1,676,885	-	1,676,885
Ticket sales	1,407,006	-	1,407,006
Program revenue	524,381	-	524,381
Field trip revenue	736,155	-	736,155
Other revenues	980,570	39,158	1,019,728
Investment return, net	4,379,674	10,304,399	14,684,073
Total other operating revenues	32,303,156	18,810,337	51,113,493
Net assets released from restriction			
Satisfaction of purpose restrictions - CL2000	1,064,380	(1,064,380)	-
Satisfaction of purpose restrictions - Heritage of Faith	600,000	(600,000)	-
Satisfaction of purpose restrictions - General	9,726,291	(9,726,291)	-
Total revenues	149,205,753	7,419,666	156,625,419
Expenses			
Salaries	56,209,231	-	56,209,231
Employee benefits	19,033,652	-	19,033,652
Purchased services	18,898,881	-	18,898,881
Plant	17,835,069	-	17,835,069
Support expenses	15,674,772	-	15,674,772
Debt service	1,140,377	-	1,140,377
Total expenses	128,791,982	-	128,791,982
Change in net assets before other items	20,413,771	7,419,666	27,833,437
Contributions restricted for long-term purposes	-	362,593	362,593
Change in beneficial interest in financially inter-related organizations	1,812,216	432,730	2,244,946
Benefit-related changes other than net periodic benefit costs (Note K)	80,881	-	80,881
Other components of net periodic benefit costs (Note K)	(130,049)	-	(130,049)
CHANGE IN NET ASSETS	22,176,819	8,214,989	30,391,808
Net assets, beginning of year	126,079,014	116,586,023	242,665,037
Net assets, end of year	\$ 148,255,833	\$ 124,801,012	\$ 273,056,845

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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Tuition and fees, net	\$ 101,949,099	\$ -	\$ 101,949,099
Contributions of cash and other financial assets	8,960,778	9,178,912	18,139,690
Contributions of nonfinancial assets			
Contributed services (Note O)	804,508	-	804,508
Other in-kind contributions	148,123	-	148,123
Grant revenue	46,620	-	46,620
Fundraising income, net of fundraising costs of \$2,267,324	960,883	165,196	1,126,079
Resale items, net of purchases	233,982	-	233,982
Commissions	756,226	-	756,226
Rental income	1,467,424	-	1,467,424
Ticket sales	1,235,637	-	1,235,637
Program revenue	558,411	-	558,411
Other revenues	2,375,139	15,208	2,390,347
Investment return, net	3,998,950	9,976,611	13,975,561
	<hr/>	<hr/>	<hr/>
Total other operating revenues	21,546,681	19,335,927	40,882,608
Net assets released from restriction			
Satisfaction of purpose restrictions - CL2000	1,073,750	(1,073,750)	-
Satisfaction of purpose restrictions - Heritage of Faith	600,000	(600,000)	-
Satisfaction of purpose restrictions - General	8,952,884	(8,952,884)	-
	<hr/>	<hr/>	<hr/>
Total revenues	134,122,414	8,709,293	142,831,707
Expenses			
Salaries	53,111,186	-	53,111,186
Employee benefits	17,738,345	-	17,738,345
Purchased services	17,789,210	-	17,789,210
Plant	16,163,413	-	16,163,413
Support expenses	14,546,707	-	14,546,707
Debt service	1,231,656	-	1,231,656
	<hr/>	<hr/>	<hr/>
Total expenses	120,580,517	-	120,580,517
Change in net assets before other items	<hr/>	<hr/>	<hr/>
	13,541,897	8,709,293	22,251,190
Contributions restricted for long-term purposes	-	166,666	166,666
Change in beneficial interest in financially inter-related organizations	1,118,052	(3,642,845)	(2,524,793)
Benefit-related changes other than net periodic benefit costs (Note K)	59,955	-	59,955
Other components of net periodic benefit costs (Note K)	(132,277)	-	(132,277)
Net loss on sale of property and equipment	(17,917)	-	(17,917)
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	14,569,710	5,233,114	19,802,824
Net assets, beginning of year	<hr/>	<hr/>	<hr/>
	111,509,304	111,352,909	222,862,213
Net assets, end of year	<hr/>	<hr/>	<hr/>
	\$ 126,079,014	\$ 116,586,023	\$ 242,665,037

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,

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 30,391,808	\$ 19,802,824
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	8,595,443	7,710,631
Amortization of right-of-use assets - finance leases	146,821	26,977
Credit loss expense	274,399	569,853
Net loss on sale of property and equipment	-	17,917
Net change in unrealized gains on investments	(5,627,954)	(5,459,656)
Net realized gains on investments	(498,299)	(2,752,503)
Change in beneficial interest in financially inter-related organizations	(2,244,946)	2,524,793
In-kind contribution of building construction costs	(10,383,100)	-
Contributions restricted for long-term purposes	(362,593)	(166,666)
Changes in assets and liabilities:		
Parental tuition and fees receivable	(197,410)	(661,926)
Due from related organizations	(153,600)	(6,115)
Pledges receivable	(410,528)	519,326
Other receivables	926,641	839,232
Prepaid expenses and other assets	383,778	143,516
Right-of-use assets - operating leases	104,160	714,808
Accounts payable	1,108,507	(889,721)
Accrued payroll	350,710	235,476
Accrued non-pension retirement benefits	557	46,946
Accrued vacation	92,227	63,340
Incurred but not reported medical claims	148,000	111,000
Due to related organizations	(983,747)	414,780
Deferred revenue	30,792	1,941,238
Deferred lease payment	(79,094)	(126,263)
Lease liability - operating leases	(104,161)	(715,140)
	<u>21,508,411</u>	<u>24,904,667</u>
Cash flows from investing activities:		
Purchase of property and equipment	(12,631,695)	(10,229,338)
Proceeds from sale of property and equipment	-	3,500
Proceeds from sale of investments	54,681,322	14,940,626
Purchase of investments	(58,778,760)	(37,900,035)
	<u>(16,729,133)</u>	<u>(33,185,247)</u>
Cash flows from financing activities:		
Payment of lease liability - finance leases	(23,441)	(50,286)
Repayments of notes payable to related parties	(2,221,792)	(2,248,014)
Contributions restricted for long-term purposes	362,593	166,666
	<u>(1,882,640)</u>	<u>(2,131,634)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, INCLUDING AMOUNTS HELD BY AFFILIATE	2,896,638	(10,412,214)
Cash and cash equivalents, including amounts held by affiliate, beginning of year	42,536,321	52,948,535
Cash and cash equivalents, including amounts held by affiliate, end of year	<u>\$ 45,432,959</u>	<u>\$ 42,536,321</u>
Supplemental disclosure of cash flow information:		
Noncash investing and financing activities:		
In-kind contribution of building construction costs	\$ 10,383,100	\$ -
Cash paid for interest	\$ 1,140,377	\$ 1,231,656
Capital expenditures through accounts payable	\$ -	\$ 548,868
Reclassification of property and equipment to property held for sale	\$ -	\$ 88,827
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 245,715

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

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2025 and 2024

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 15 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.

The Diocesan High Schools are considered to be a component of the Archdiocese of Philadelphia and not a separate legal entity.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in conformity with U.S. generally accepted accounting principles (“GAAP”). 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

Diocesan High Schools recognize and measure revenues in accordance with Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. 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.

Tuition and Fees, Net

The Diocesan High Schools recognize revenue from student tuition and other school fees within the fiscal year in which educational services are provided. Tuition and fees revenue are reflected 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.

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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

	2025	2024
Basic tuition	\$ 94,953,905	\$ 91,251,747
Special tuition	439,353	332,327
International tuition	108,600	106,050
School fee	16,219,133	15,551,425
Other school fees	6,481,755	6,414,877
	118,202,746	113,656,426
Less: tuition reductions	(4,414,072)	(4,320,391)
Less: scholarships and tuition assistance	(8,276,748)	(7,386,936)
Tuition and fees, net	<u>\$ 105,511,926</u>	<u>\$ 101,949,099</u>

Registration fees and re-registration fees are recognized upon registration since these fees are non-refundable. For the years ended June 30, 2025 and 2024, registration and re-registration fees of \$1,809,311 and \$1,733,282, respectively, are included in other school fees.

The allowance for credit losses is provided based on management's judgment after considering factors such as the length of time a receivable is past due and management's historical collection experience, adjusted for management's expectations about current and future economic conditions. The Diocesan High Schools write off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for credit losses.

Contributions and Donations

Diocesan High Schools recognize revenue from contributions, revenues 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, 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, Diocesan High Schools apply the guidance under Topic 606. If the transfer of assets is determined to be a contribution, 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 Diocesan High Schools are 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.

Contributions including unconditional promises to give are recorded as revenue in the period when received. Unconditional promises to give are recorded at their fair value when Diocesan High Schools are notified of these gifts. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of assets other than cash, including long-lived assets, are recorded at their estimated fair value. During the years ended June 30, 2025 and 2024, certain building demolition expenses and construction costs were paid for by Friends of Father Judge High School on behalf of Father Judge High School amounting to \$10,383,100 and \$148,123, respectively, and recognized as part of other in-kind contributions in the statements of activities and changes in net assets. These contributed items are expensed and capitalized as appropriate, and they do not have donor-imposed restrictions.

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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. Contributed services do not have donor-imposed restrictions.

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.

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

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, 2025 and 2024, 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 treasury notes, corporate and international securities, are valued at the closing price reported in the active market in which the note or 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.

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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

Property and Equipment, Net

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.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flows from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized and measured using the asset's fair value. No impairment losses were recognized for the years ended June 30, 2025 and 2024.

Expenditures for maintenance and repairs are charged to expense, whereas major betterments are capitalized.

Leases

The Diocesan High Schools recognize and measure their leases in accordance with ASU 2016-02, *Leases*. The Diocesan High Schools are lessees in several non-cancelable leases for equipment and vehicles and 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 their 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.

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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, 2025 and 2024. 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 this data, were then adjusted for months where data was deemed non-credible. These adjustments were made using the Projection Method, which is based on the change in costs per exposure unit over time. The estimate is based on the last 48 months of incurred and paid claims for each of the years ended June 30, 2025 and 2024.

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 Diocesan High Schools 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 accounts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Reclassifications

Certain reclassifications have been made to prior year amounts in the financial statements to conform to the current year presentation. These reclassifications had no impact on Diocesan High Schools' total assets, liabilities, or change in net assets.

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE C - PLEDGES RECEIVABLE, NET

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

	<u>2025</u>	<u>2024</u>
Less than one year	\$ 1,544,472	\$ 1,262,395
One year to five years	<u>1,488,284</u>	<u>1,174,985</u>
	3,032,756	2,437,380
Less: allowance for doubtful accounts	(404,913)	(238,054)
Less: discount	<u>(106,203)</u>	<u>(88,214)</u>
	<u>\$ 2,521,640</u>	<u>\$ 2,111,112</u>

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, 2025 and 2024.

NOTE D - INVESTMENTS

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

	<u>2025</u>	<u>2024</u>
Mutual funds	\$ 106,740,744	\$ 95,983,632
Money market funds	953,283	2,748,688
Common stocks	6,838,901	7,215,101
Debt securities	<u>37,451,373</u>	<u>35,813,189</u>
	<u>\$ 151,984,301</u>	<u>\$ 141,760,610</u>

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.

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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:

<u>2025</u>	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	\$ 106,043,481	\$ 697,263	\$ -	\$ 106,740,744
Money market funds	208,555	744,728	-	953,283
Common stocks	6,838,901	-	-	6,838,901
Debt securities	35,220,697	2,230,676	-	37,451,373
Total investments	<u>\$ 148,311,634</u>	<u>\$ 3,672,667</u>	<u>\$ -</u>	<u>\$ 151,984,301</u>
Beneficial interest in financially inter-related organizations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,540,290</u>	<u>\$ 17,540,290</u>
<u>2024</u>	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	\$ 95,349,070	\$ 634,562	\$ -	\$ 95,983,632
Money market funds	199,251	2,549,437	-	2,748,688
Common stocks	7,215,101	-	-	7,215,101
Debt securities	33,321,485	2,491,704	-	35,813,189
Total investments	<u>\$ 136,084,907</u>	<u>\$ 5,675,703</u>	<u>\$ -</u>	<u>\$ 141,760,610</u>
Beneficial interest in financially inter-related organizations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,295,344</u>	<u>\$ 15,295,344</u>

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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, 2025 and 2024:

Balance at June 30, 2023	\$ 17,820,137
Change in fair value of assets	<u>(2,524,793)</u>
Balance at June 30, 2024	15,295,344
Change in fair value of assets	<u>2,244,946</u>
Balance at June 30, 2025	<u>\$ 17,540,290</u>

NOTE F - PROPERTY AND EQUIPMENT, NET AND PROPERTY HELD FOR SALE

Property and Equipment, Net

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

	<u>2025</u>	<u>2024</u>
Land	\$ 6,280,841	\$ 6,192,014
Land improvements	25,524,041	23,824,280
Building	93,281,413	83,699,944
Building improvements	74,157,004	64,824,236
Leasehold improvements	10,106,805	9,787,781
Furniture and fixtures	30,495,616	26,411,482
Vehicles	678,634	604,768
Work in progress	<u>2,427,451</u>	<u>3,580,833</u>
	242,951,805	218,925,338
Less: accumulated depreciation	<u>(122,042,596)</u>	<u>(112,435,481)</u>
Property and equipment, net	<u>\$ 120,909,209</u>	<u>\$ 106,489,857</u>

Depreciation expense was \$8,595,443 and \$7,710,631 for the years ended June 30, 2025 and 2024, respectively.

Property Held for Sale

On November 7, 2023, an agreement of sale was executed with Catholic Housing and Community Services for the sale of the former friary and certain adjacent land located on the campus of Archbishop Ryan High School for \$1,100,000. The sale was completed in July 2025.

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE G - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Undesignated	\$ 136,990,871	\$ 115,512,806
Board-designated endowment		
West Catholic Prep Endowment Fund	<u>11,264,962</u>	<u>10,566,208</u>
 Total net assets without donor restrictions	 <u>\$ 148,255,833</u>	 <u>\$ 126,079,014</u>

In February 2022, a Memorandum of Understanding was signed to establish a board-designated endowment for the benefit of West Catholic Preparatory High School (WCPHS).

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
Net assets subject to time or use donor-imposed restrictions		
Tuition assistance for all schools	\$ 5,580,058	\$ 5,870,518
Tuition assistance for specific schools	7,793,294	6,872,766
Property and equipment for Roman Catholic High School held by Trustees	7,558,625	8,251,254
Tuition assistance/operations/improvements for specific schools	414,310	355,159
Operations and improvements for specific schools	5,113,741	5,974,867
Others, for specific schools	8,414,996	7,060,859
Accumulated earnings in excess of spending of endowments		
Tuition assistance for all schools	5,319,353	4,578,400
Tuition assistance for specific schools	2,045,577	1,489,544
Operations for Roman Catholic High School held by Trustees	1,781,283	1,451,344
Operations and improvements for all schools	38,057,504	32,324,690
Others, for specific schools	<u>75,098</u>	<u>60,777</u>
 Total net assets subject to time or use donor-imposed restrictions	 <u>82,153,839</u>	 <u>74,290,178</u>
 Funds held in perpetuity		
Tuition assistance for all schools	8,197,057	8,107,210
Tuition assistance for specific schools	7,082,898	6,829,884
Operations for Roman Catholic High School held by Trustees	1,303,260	1,303,260
Operations and improvements for all schools	25,931,693	25,931,693
Others, for specific schools	<u>132,265</u>	<u>123,798</u>
 Total funds held in perpetuity	 <u>42,647,173</u>	 <u>42,295,845</u>
 Total net assets with donor restrictions	 <u>\$ 124,801,012</u>	 <u>\$ 116,586,023</u>

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE I - ENDOWMENTS

The Diocesan High Schools' endowments consist of a board-designated endowment fund and 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 net assets without donor restrictions. 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 restrictions. 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 donor-restricted endowments are spent as directed by the donor and for other donor-restricted endowments where the donor is silent on the annual draw amount, Diocesan High Schools' spending policy for the years ended June 30, 2025 and 2024 allowed for between a 2% and 7% draw of the three-year average market value of the restricted endowments.

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The changes in endowments funds for the years ended June 30, delineated by net asset class, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2023	\$ 9,665,321	\$ 74,861,725	\$ 84,527,046
Investment income	252,815	1,491,605	1,744,420
Net realized and unrealized appreciation	<u>694,186</u>	<u>7,408,456</u>	<u>8,102,642</u>
Total investment return	947,001	8,900,061	9,847,062
Contributions	-	166,666	166,666
Appropriation of endowment assets for expenditure	(46,114)	(1,993,925)	(2,040,039)
Change in beneficial interest in financially inter-related organizations	<u>-</u>	<u>266,073</u>	<u>266,073</u>
Endowment net assets, June 30, 2024	10,566,208	82,200,600	92,766,808
Investment income	376,870	4,668,550	5,045,420
Net realized and unrealized appreciation	<u>747,809</u>	<u>4,502,936</u>	<u>5,250,745</u>
Total investment return	1,124,679	9,171,486	10,296,165
Contributions	-	362,593	362,593
Appropriation of endowment assets for expenditure	(425,925)	(2,138,630)	(2,564,555)
Change in beneficial interest in financially inter-related organizations	<u>-</u>	<u>329,939</u>	<u>329,939</u>
Endowment net assets, June 30, 2025	<u>\$ 11,264,962</u>	<u>\$ 89,925,988</u>	<u>\$ 101,190,950</u>

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, 2025 and 2024.

NOTE J - RELATED PARTY TRANSACTIONS

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

	<u>2025</u>	<u>2024</u>
Roman Catholic Alumni Association	\$ 171,431	\$ -
Office of Catholic Education Administration Account	19,643	4,453
Schools of Special Education	320	13,813
Office for Financial Services	2,000	2,579
Other	<u>-</u>	<u>18,949</u>
	<u>\$ 193,394</u>	<u>\$ 39,794</u>

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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

	2025	2024
Office for Financial Services	\$ 10,412	\$ 791,150
Office of Catholic Education Administration Account	-	171,615
Catholic Social Services	51,714	25,210
Other	-	57,898
	\$ 62,126	\$ 1,045,873

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

During the years ended June 30, 2025 and 2024, 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, 2025 and 2024 were \$2,250,504 and \$2,045,498, respectively.
- The Diocesan High Schools paid \$123,472 and \$147,107 to Catholic Housing and Community Services for support of computer systems for the years ended June 30, 2025 and 2024, respectively.
- The Diocesan High Schools paid \$5,597,194 and \$5,243,079 for the years ended June 30, 2025 and 2024, respectively, to Office of Catholic Education ("OCE") for administrative costs.
- The Diocesan High Schools paid \$137,285 and \$178,872 for the years ended June 30, 2025 and 2024, respectively, to OCE for marketing costs.
- The Diocesan High Schools paid \$49,000 for both of the years ended June 30, 2025 and 2024 to Office for Financial Services ("OFS") for administrative costs associated with capital projects and legal services.
- The Diocesan High Schools received donations of \$600,000 for both of the years ended June 30, 2025 and 2024 from Heritage of Faith - Vision of Hope.
- Cash and cash equivalents include \$416,311 and \$1,015,194 at June 30, 2025 and 2024, respectively, on deposit with OFS.

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:

Office of Financial Services	\$ 3,000,000
Office of Catholic Cemeteries	3,000,000
CHCS as Administrative Agent	71,357,582

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Catholic Housing and Community Services 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 year ended June 30, 2023, the proceeds from the sale of John W. Hallahan High School, Bishop McDevitt High School, and the former Kennedy-Kenrick Catholic High School properties were used to fully settle the outstanding notes payable to the Archdiocese of Philadelphia Priests' Retirement Benefits Funding Trust and the remainder was applied toward the principal on the Catholic Housing and Community Services notes payable.

During the years ended June 30, 2025 and 2024, the Diocesan High Schools made total loan principal payments of \$2,221,792 and \$2,248,014, respectively.

The outstanding debt obligations at June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Catholic Housing and Community Services	\$ 27,113,900	\$ 29,335,692
Total notes payable to related parties	<u>\$ 27,113,900</u>	<u>\$ 29,335,692</u>

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:

2026	\$ 2,312,006
2027	2,405,882
2028	2,503,571
2029	2,605,226
2030	2,711,010
Thereafter	<u>14,576,205</u>
Total notes payable to related parties	<u>\$ 27,113,900</u>

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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. 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. For financial reporting purposes within these financial statements, the LERP is accounted for as a multiemployer plan. 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 eligible employees for both of the years ended June 30, 2025 and 2024, which amounted to \$1,526,405 and \$840,647, 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.

Estimates of the actuarially determined present value of accumulated plan benefits at June 30, 2025 and 2024 totaled approximately \$428,400,000 and \$539,100,000, respectively. At June 30, 2025 and 2024, the assets available to provide for these benefits totaled approximately \$386,400,000 and \$474,200,000, 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 is eligible to receive employer contributions.

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

Vesting in employer contributions is immediate for grandfathered employees who have completed 12 months of service as of June 30, 2014. Vesting in employer contributions for all other employees takes place after the completion of 12 months of service. For the years ended June 30, 2025 and 2024, 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 \$1,959,388 and \$2,569,275 and the administrative charges totaled \$171,168 and \$162,414 for the years ended June 30, 2025 and 2024, respectively.

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Non-Pension Retirement Benefits

Lay teachers are provided post-retirement 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 present the funded status of the non-pension retirement benefits in the statement of financial position.

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Net Periodic Cost and Other Changes

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

	<u>2025</u>	<u>2024</u>
Components of net periodic benefit cost recognized in employee benefits		
Service cost	\$ 42,790	\$ 41,479
Other components of net periodic benefit costs		
Interest cost	\$ 52,386	\$ 48,892
Amortization of net loss	96,171	101,893
Amortization of prior service credit	<u>(18,508)</u>	<u>(18,508)</u>
	<u>\$ 130,049</u>	<u>\$ 132,277</u>
Benefit-related changes other than net periodic benefit costs		
Net actuarial (gain) loss	\$ (3,218)	\$ 23,430
Amortization of prior service credit	18,508	18,508
Amortization of net loss	<u>(96,171)</u>	<u>(101,893)</u>
	<u>\$ (80,881)</u>	<u>\$ (59,955)</u>

Obligations and Funded Status

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

	<u>2025</u>	<u>2024</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	91,401	66,855
Plan participants' contributions	357	1,904
Actual benefits paid	<u>(91,758)</u>	<u>(68,759)</u>
	<u>\$ -</u>	<u>\$ -</u>
Funded status		
Funded status at end of year	<u>\$ 1,109,915</u>	<u>\$ (1,109,358)</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 1,109,358	\$ 1,062,412
Service cost	42,790	41,479
Interest cost	52,386	48,892
Actual plan participants' contributions	357	1,904
Actuarial loss (gains)	(3,218)	23,430
Actual benefits paid	<u>(91,758)</u>	<u>(68,759)</u>
	<u>\$ 1,109,915</u>	<u>\$ 1,109,358</u>

Archdiocese of Philadelphia, Office of Catholic Education High Schools

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Amounts recognized in net assets without donor restrictions		
Net actuarial loss	\$ 1,263,864	\$ 1,363,253
Prior service credit	<u>(20,723)</u>	<u>(39,231)</u>
	<u>\$ 1,243,141</u>	<u>\$ 1,324,022</u>

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

	<u>2025</u>	<u>2024</u>
Net actuarial loss	\$ 89,000	\$ 93,000
Prior service credit	(18,508)	(18,508)

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

	<u>2025</u>	<u>2024</u>
Discount rate	5.25%	5.25%
Healthcare cost trend	8.59%	7.60%
Ultimate rate of increase	4.50%	4.50%
Year that ultimate rate is attained	2035	2033

Cash Flows and Estimated Future Benefit Payments

Employer contributions June 30, 2026 (expected)	\$ 89,000
<u>Expected Benefit Payments for the Years Ending June 30</u>	
2026	\$ 89,000
2027	107,000
2028	116,000
2029	106,000
2030	96,000
2031 - 2034	427,000

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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:

	<u>Administration</u>	<u>Academic</u>	<u>Activities/ Athletics</u>	<u>Other</u>	<u>2025 Total</u>
Salaries	\$ 11,082,231	\$ 39,911,334	\$ 5,096,361	\$ 119,305	\$ 56,209,231
Employee benefits	2,079,336	16,015,835	920,459	18,022	19,033,652
Purchased services	9,757,284	4,726,791	3,294,529	1,120,277	18,898,881
Plant	523,390	13,409,257	3,499,606	402,816	17,835,069
Support expenses	3,543,437	5,270,682	5,246,256	1,614,397	15,674,772
Debt service	1,140,377	-	-	-	1,140,377
Total	\$ 28,126,055	\$ 79,333,899	\$ 18,057,211	\$ 3,274,817	\$ 128,791,982

	<u>Administration</u>	<u>Academic</u>	<u>Activities/ Athletics</u>	<u>Other</u>	<u>2024 Total</u>
Salaries	\$ 10,063,820	\$ 38,027,679	\$ 4,918,954	\$ 100,733	\$ 53,111,186
Employee benefits	1,861,288	15,031,015	828,368	17,674	17,738,345
Purchased services	9,430,470	4,736,431	3,067,524	554,785	17,789,210
Plant	564,067	12,358,829	3,219,042	21,475	16,163,413
Support expenses	4,541,207	4,728,802	4,869,870	406,828	14,546,707
Debt service	1,231,656	-	-	-	1,231,656
Total	\$ 27,692,508	\$ 74,882,756	\$ 16,903,758	\$ 1,101,495	\$ 120,580,517

NOTE M - LEASES

Lessee

The Diocesan High Schools have entered into lease agreements for equipment and vehicles which expire at various dates through 2029. 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 to assert the option to renew the lease.

Quantitative information regarding the Diocesan High Schools' leases for the year ended June 30, 2025 is as follows:

Lease cost	\$ 478,817
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows	10,813
Financing cash flows	-
Weighted-average remaining lease term (in years)	2.34
Weighted-average discount rate	4%

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Quantitative information regarding the Diocesan High Schools' leases for the year ended June 30, 2024 is as follows:

	<u>Finance Leases</u>	<u>Operating Leases</u>
Lease cost	\$ 26,977	\$ 714,809
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	-	715,140
Financing cash flows	50,286	-
Weighted-average remaining lease term (in years)	1.75	2.95
Weighted-average discount rate	4%	4%

The following is a schedule of future minimum lease payments required under finance and operating leases with lease terms in excess of one year as of June 30, 2025:

<u>Years Ending June 30,</u>	<u>Operating Leases</u>
2026	\$ 329,337
2027	207,845
2028	160,410
2029	55,266
2030	<u>6,199</u>
 Total minimum payments	 759,057
 Less: present value discount	 <u>(39,678)</u>
 Total	 <u>\$ 719,379</u>

Lessor

On September 16, 2021, the Archdiocese entered into a Master Development Agreement with EM WC Chestnut, LLC, a Delaware limited liability company ("EMWC"). The Master Development Agreement grants EMWC the right to ground lease and develop the Archdiocese's property located at 4519-45 Chestnut Street, Philadelphia PA 19139, and containing one surface parking lot adjacent to the WCPHS. EMWC plans to develop the site into a mixed-use, residential, and retail destination.

The ground lease commenced on February 22, 2022, and upon closing, the Diocesan High Schools received an upfront lease payment of \$12,500,000. A memorandum of understanding was signed to establish that these funds would be used to extinguish the debt of the WCPHS, to fund up to \$1,000,000 in capital improvements, and to establish a new board-designated endowment fund for the benefit of WCPHS.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

In addition to the upfront lease payment, the Diocesan High Schools will receive annual lease payments at the beginning of year 5 of the agreement as follows:

- Years 5 through 14: annual lease payments of \$11,000
- Years 15 through 24: annual lease payments of \$12,100
- Years 25 through 34: annual lease payments of \$13,310
- Years 35 through 44: annual lease payments of \$14,641
- Years 45 through 54: annual lease payments of \$16,105
- Years 55 through 64: annual lease payments of \$17,716
- Years 65 through 74: annual lease payments of \$19,487
- Years 75 through 84: annual lease payments of \$21,436
- Years 85 through 94: annual lease payments of \$23,579
- Years 95 through 99: annual lease payments of \$25,937

As a real estate lease, the Diocesan High Schools has deferred the lease rental payments received to date and is recognizing these payments into income on a straight-line basis over the life of the lease.

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, 2026 of \$106,096,882 from tuition, \$17,547,254 in fees revenue and \$10,962,575 from unrestricted donations.

	<u>2025</u>	<u>2024</u>
Financial assets		
Cash and cash equivalents, including amounts held by affiliate	\$ 45,432,959	\$ 42,536,321
Parental tuition and fees receivable, net	1,463,283	1,540,272
Due from related organizations	193,394	39,794
Pledges receivable, net	2,521,640	2,111,112
Other receivables	2,673,262	3,599,903
Investments	<u>151,984,301</u>	<u>141,760,610</u>
Financial assets, at year-end	<u>204,268,839</u>	<u>191,588,012</u>
Less those unavailable for general expenditure within one year due to		
Donor-imposed restrictions		
Endowment funds	41,321,459	40,992,585
Tuition assistance	20,294,816	17,994,516
Operations and improvement	43,171,245	35,808,991
Restricted pledges receivable	2,521,641	2,111,112
Other donor-imposed restrictions	6,848,684	6,121,618
Board-designated endowment fund	<u>11,264,962</u>	<u>10,566,208</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 78,846,032</u>	<u>\$ 77,992,982</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE O - CONTRIBUTED SERVICES

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

	<u>2025</u>	<u>2024</u>
Salaries and benefits - lay equivalent value	\$ 1,780,239	\$ 2,370,492
Expended for services		
Salaries, related employee benefits and faculty house expenses	<u>(1,402,350)</u>	<u>(1,565,984)</u>
Total contributed services	<u>\$ 377,889</u>	<u>\$ 804,508</u>

NOTE P - INCOME TAXES

As part of the Archdiocese of Philadelphia, the Diocesan High Schools have 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 5, 2025, the date which the financial statements were available for distribution, noting no items requiring accrual or disclosure in the financial statements, except as disclosed in Note F.