

HOLY TRINITY DIOCESAN HIGH SCHOOL
OF THE DIOCESE OF ROCKVILLE CENTRE
FINANCIAL STATEMENTS
AS OF JUNE 30, 2003 AND 2002
TOGETHER WITH
AUDITORS' REPORT



Callaghan Nawrocki LLP
CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITORS' REPORT

To Most Reverend William Murphy
Bishop of the Diocese of Rockville Centre:

We have audited the accompanying statements of financial position of Holy Trinity Diocesan High School of the Diocese of Rockville Centre (the "High School") as of June 30, 2003 and 2002, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements and the statement referred to below are the responsibility of the High School's management. Our responsibility is to express an opinion on these financial statements and statement 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holy Trinity Diocesan High School of the Diocese of Rockville Centre as of June 30, 2003 and 2002, and the results of its activities and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The budget vs. actual statement of operating activities for the year ended June 30, 2003 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The actual information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Callaghan Nawrocki

Melville, New York
July 18, 2003

HOLY TRINITY DIOCESAN HIGH SCHOOL
OF THE DIOCESE OF ROCKVILLE CENTRE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2003 AND 2002

<u>ASSETS</u>	<u>2003</u>	<u>2002</u>
Cash	\$ 123,463	\$ 201,851
Investment in Diocesan Deposit and Loan Account	1,595,134	1,650,433
Cash and cash equivalents	<u>1,718,597</u>	<u>1,852,284</u>
Accounts receivable - students, net of allowance for doubtful accounts of \$38,785 and \$46,217, respectively	78,746	93,834
Other accounts receivable	159,023	-
Inventories of fuel, books and food	25,438	20,848
Prepaid expenses	61,945	209,386
Property and equipment, net of accumulated depreciation and amortization of \$6,866,658 and \$6,505,654, respectively	<u>2,310,310</u>	<u>2,421,290</u>
 Total assets	 <u><u>\$ 4,354,059</u></u>	 <u><u>\$ 4,597,642</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Cash overdraft	\$ 51,223	\$ -
Accounts payable and accrued expenses	87,803	126,522
Accrued salaries and benefits	1,391,173	1,293,055
Accrued sick pay	1,380,593	1,251,930
Deferred revenue - advance tuition and registration fees	80,485	84,760
Deferred revenue - other	<u>298,613</u>	<u>320,097</u>
 Total liabilities	 <u>3,289,890</u>	 <u>3,076,364</u>
Commitments		
Net assets:		
Unrestricted:		
Undesignated	(1,538,007)	(1,325,064)
Plant	<u>2,310,310</u>	<u>2,421,290</u>
Total unrestricted net assets	<u>772,303</u>	<u>1,096,226</u>
Temporarily restricted	<u>291,866</u>	<u>425,052</u>
 Total net assets	 <u>1,064,169</u>	 <u>1,521,278</u>
 Total liabilities and net assets	 <u><u>\$ 4,354,059</u></u>	 <u><u>\$ 4,597,642</u></u>

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

HOLY TRINITY DIOCESAN HIGH SCHOOL
OF THE DIOCESE OF ROCKVILLE CENTRE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003
(With Comparative Totals For 2002)

	Unrestricted	Temporarily Restricted	Total	
			2003	2002
REVENUES:				
Tuition	\$ 8,970,023	\$ -	\$ 8,970,023	\$ 8,460,099
Less: financial grants	(63,125)	-	(63,125)	(53,212)
Net tuition	8,906,898	-	8,906,898	8,406,887
Sales-				
Cafeteria	577,768	-	577,768	571,577
Bookstore	200,696	-	200,696	130,044
State Aid - Mandated Services	489,268	-	489,268	465,960
Donations and gifts	136,387	414,201	550,588	522,219
Co-curricular activities	324,059	-	324,059	273,742
Contributed services	280,814	-	280,814	285,839
Driver education fees	212,150	-	212,150	203,367
Rental income	155,406	-	155,406	140,872
Use of facilities - other	74,200	-	74,200	72,670
Interest	48,682	-	48,682	77,271
Registration fees	43,455	-	43,455	43,959
Athletic activities	18,133	20,745	38,878	58,785
Miscellaneous	26,795	-	26,795	25,045
Art fees	26,026	-	26,026	20,880
Graduation fees	25,220	-	25,220	20,865
Standardized testing	5,773	-	5,773	4,900
Recovery of bad debts	3,961	-	3,961	5,343
Net assets released from restrictions	261,181	(261,181)	-	-
Total operating revenues	11,816,872	173,765	11,990,637	11,330,225
EXPENSES:				
Instructional expenses	6,097,165	-	6,097,165	6,038,587
Employee benefits	1,549,818	-	1,549,818	1,443,862
Administrative expenses	1,330,576	-	1,330,576	1,010,956
Operation and maintenance of plant	1,165,658	-	1,165,658	1,097,473
Bookstore, cafeteria and other	717,270	-	717,270	597,062
Athletic activities	595,895	-	595,895	553,690
Co-curricular activities	776,124	-	776,124	564,990
Depreciation and amortization expense	361,005	-	361,005	352,021
Rectory, convent and chapel	122,080	-	122,080	119,661
Bad debt expense	24,931	-	24,931	31,616
Total operating expenses	12,740,522	-	12,740,522	11,809,918
Excess (deficiency) of revenues over (under) expenses	(923,650)	173,765	(749,885)	(479,693)
SUBSIDIES FROM DIOCESE OF ROCKVILLE CENTRE:				
Operating subsidy	138,931	-	138,931	131,834
Financial grants subsidy	46,069	-	46,069	53,212
Capital subsidy	107,776	-	107,776	520,767
Total subsidies	292,776	-	292,776	705,813
UNUSUAL ITEM:				
Return of prior year excess subsidies to the Diocese of Rockville Centre	-	-	-	(782,484)
Change in net assets	(630,874)	173,765	(457,109)	(556,364)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	1,403,177	118,101	1,521,278	2,077,642
NET ASSETS, END OF YEAR	\$ 772,303	\$ 291,866	\$ 1,064,169	\$ 1,521,278

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

HOLY TRINITY DIOCESAN HIGH SCHOOL
OF THE DIOCESE OF ROCKVILLE CENTRE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (457,109)	\$ (556,364)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization expense	361,005	352,021
(Increase) decrease in accounts receivable - students, net	15,088	(21,406)
Increase in accounts receivable - other	(159,023)	-
Increase in inventories of fuel, books and food	(4,590)	(114)
(Increase) decrease in prepaid expenses	147,441	(151,064)
Increase in cash overdraft	51,223	-
Decrease in accounts payable and accrued expenses	(38,719)	(246,471)
Increase in accrued salaries and benefits	98,118	387,204
Increase in accrued sick pay	128,663	63,490
Decrease in deferred revenue - advance tuition and registration	(4,275)	(85,970)
Increase (decrease) in deferred revenue - other	(21,484)	176,799
	<u>116,338</u>	<u>(81,875)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment, net	(250,025)	(647,385)
	<u>(250,025)</u>	<u>(647,385)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(133,687)	(729,260)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR, AS RESTATED	<u>1,852,284</u>	<u>2,581,544</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,718,597</u>	<u>\$ 1,852,284</u>

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

HOLY TRINITY DIOCESAN HIGH SCHOOL
OF THE DIOCESE OF ROCKVILLE CENTRE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

(1) **Nature of operations**

Holy Trinity Diocesan High School of the Diocese of Rockville Centre (the "High School") was organized for the purpose of providing Catholic education at the secondary level. The High School receives significant operating and capital subsidies from the Current Operating Funds of the Administrative Offices of the Diocese of Rockville Centre (the "Administrative Offices"). Diocesan officials have informed the High School that the High School's operations will continue to be subsidized by the Diocese of Rockville Centre at least through June 30, 2004.

(2) **Summary of significant accounting policies:**

The accompanying financial statements include the assets, liabilities, revenues and expenses of the High School which are presented under the accrual basis of accounting. The following is a summary of significant accounting policies followed by the High School:

Financial statement presentation -

The High School presents its financial statements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, Financial Statements of Not-For-Profit Organizations. SFAS No. 117 requires that the High School's financial statements distinguish between unrestricted, temporarily restricted, and permanently restricted net assets and changes in net assets, depending on the existence and/or nature of any donor restrictions. The High School's net assets consist of the following:

Unrestricted - net assets of the High School which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the High School.

Temporarily restricted - net assets of the High School which have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the High School pursuant to those stipulations.

The High School does not possess any permanently restricted net assets.

As required by SFAS No. 117, the High School has also presented statements of cash flows for the years ended June 30, 2003 and 2002.

Cash and cash equivalents -

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents and include money market funds held in banks, and an investment in the Diocesan Deposit and Loan Account (“DLA”).

The DLA is administered by the Administrative Offices. The High School’s investment in the DLA earns interest at a rate of 75% of the prime rate per annum. As of June 30, 2003 and 2002, the cost of the High School’s investment in the DLA approximated market value. The High School had the following two investment accounts in the DLA at June 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
General account	\$ 566,766	\$ 655,454
Sick pay account	<u>1,028,368</u>	<u>994,979</u>
	<u>\$ 1,595,134</u>	<u>\$ 1,650,433</u>

Fair value of financial instruments -

Statement of Financial Accounting Standards No. 107, Disclosure about Fair Value of Financial Instruments, defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying value of all instruments classified as current assets or liabilities is deemed to approximate fair value because of their short-term nature.

Inventories -

Inventories are stated at the lower of cost or market and consist of fuel, books, and food. Cost is determined by the first-in, first-out method. Materials and supplies used in normal operations are charged to expense as purchased.

Property and equipment -

Property and equipment are capitalized at cost or, if donated, at fair market value as of the date of receipt. Depreciation and amortization are computed by using the straight-line method over the estimated useful lives of the assets. The following represents the major classes of fixed assets as of June 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>	<u>Life</u> <u>(in years)</u>
Land	\$ 320,000	\$ 320,000	N/A
Building	4,958,704	4,958,704	40
Building improvements	2,720,733	2,612,954	15
Library books	63,009	59,406	10
Furniture and equipment	1,104,522	965,880	5
Motor vehicles	<u>10,000</u>	<u>10,000</u>	5
	9,176,968	8,926,944	
Less: accumulated depreciation and amortization	<u>6,866,658</u>	<u>6,505,654</u>	
	<u>\$ 2,310,310</u>	<u>\$ 2,421,290</u>	

Accounting for the impairment or disposal of long-lived assets -

The High School follows the provisions of Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

The provisions of this Statement did not have a material impact on the High School's financial position, results of activities or liquidity during the years ended June 30, 2003 and 2002.

Accrued salaries and benefits -

Accrued salaries and benefits represent the instructional faculty's summer pay for those instructors who opted to receive their salary over 24 pay periods for services rendered prior to June 30, 2003 and 2002. Stipends for religious employees who perform instructional services are also included. Since the High School's administrators are required to work over the summer months, no accrual is made for administrators' summer pay.

Accrued sick pay -

Under a contractual agreement, the High School is obligated to pay one half of the accumulated sick pay (maximum accumulation of 135 days) at the then current salary level upon termination or resignation of teachers. Teachers who have accrued the maximum number of sick days are entitled to be paid for half of the unused sick days earned in the current year. Historically, lay administrators have received the same sick pay benefits as teachers.

Revenue recognition -

Revenues are generally recognized when earned and expenses are generally recognized when incurred.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. 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 are recorded at their estimated fair value at date of contribution.

Tuition -

Accounts receivable-students consists primarily of receivables for student tuition for the June 30, 2002/2003 and 2001/2002 school years. Accounts receivable-students and tuition income are shown net of tuition income reductions such as employee discounts and financial grants in the accompanying financial statements.

State aid - mandated services -

Mandated services revenue represents reimbursement to the High School from the State of New York for the costs of meeting state testing and recordkeeping requirements. The amount received by the High School for the year ended June 30, 2003, represented claims filed in the 2002/2003 school year based on costs incurred in the year preceding the claim. The amount received by the High School for the year ended June 30, 2002, represented claims filed in the 2001/2002 school year based on costs incurred in the year preceding the claim. Because of frequent changes and uncertainties in the law, such revenue is recorded in the year received.

Contributed services -

Contributed services of religious employees have been recognized in the accompanying financial statements. The computation of these services represents the difference between the compensation paid to religious employees and the comparable compensation which would be paid to lay persons if lay persons were to occupy these positions.

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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 reported period. Actual results may differ from those estimates.

Prior period adjustments -

Certain prior year balances have been adjusted to reflect the activity of additional cash accounts, which were previously not recorded in the financial statements.

(3) Tax-exempt status

The High School is a nonprofit religious institution exempt from Federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of the New York State income tax law.

(4) Classification of net assets

In accordance with SFAS No. 117, the High School has presented net assets in the accompanying financial statements according to the type of donor restriction or absence thereof. Temporarily restricted net assets as of June 30, 2003 and 2002 are invested in cash and cash equivalents.

The High School is required to utilize the temporarily restricted net assets for certain school clubs and activities over a stipulated period of time during which these net assets are released from restrictions.

(5) Incentive retirement expense

Under a contractual agreement, teachers meeting certain eligibility requirements were granted the option to retire at the end of the school year, receiving one year annual base salary payable over a three year period beginning the following school year. Incentive retirement expense was \$65,019 for each of the years ended June 30, 2003 and June 30, 2002.

(6) Lease agreement with Catholic Charities

In August 1992, the High School entered into an agreement with Catholic Charities of the Diocese of Rockville Centre (“Catholic Charities”) to lease a portion of its facilities to Catholic Charities for a five-year period which commenced in September 1992 and terminated in August 1997. At the option of Catholic Charities, the lease has a provision to extend beyond the original term for up to fifteen years, in five-year increments, and is subject to various other conditions which must be met by each party. In August 2002, the agreement was extended to August 31, 2007. The rent for the first year of the renewal period was \$116,000 and increases at 2% per annum compounded. Rental income was \$155,406 and \$140,812 for the years ended June 30, 2003 and 2002, respectively.

(7) Pension and retirement plans

The High School is a participant in the noncontributory lay pension plan established by the Diocese of Rockville Centre covering employees who meet certain minimum service requirements. The High School also participates in a noncontributory retirement plan for clergy. Due to the nature of the plans, it is not practicable to determine the extent to which the assets of the plans cover the actuarially computed value of vested benefits for the High School on a stand-alone basis.

In addition, because the plans are considered multi-employer plans, they are not subject to the reporting requirements of SFAS No. 87, Employers’ Accounting for Pensions, as amended by SFAS No.132, Employers’ Disclosures about Pensions and Other Postretirement Benefits. Pension expense allocated to the High School for the years ended June 30, 2003 and 2002 was \$236,260 and \$254,719, respectively, for the noncontributory lay pension plan and \$3,483 and \$3,564, respectively, for the noncontributory retirement plan for clergy.

(8) Commitments

The High School is obligated under various operating leases for vans, automobiles and equipment. Future minimum lease payments for all non-cancellable operating leases at June 30, 2003 are as follows:

2004	\$ 129,313
2005	84,519
2006	6,204
2007	6,204
2008	<u>7,755</u>
	<u>\$ 233,995</u>

HOLY TRINITY DIOCESAN HIGH SCHOOL
OF THE DIOCESE OF ROCKVILLE CENTRE
UNRESTRICTED NET ASSETS
BUDGET VS. ACTUAL STATEMENT OF OPERATING ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

	Budget <u>(Unaudited)</u>	Actual	Favorable <u>(Unfavorable)</u>
REVENUES:			
Tuition	\$ 9,005,760	\$ 8,970,023	\$ (35,737)
Less: financial grants	<u>(65,000)</u>	<u>(63,125)</u>	<u>1,875</u>
Net tuition	8,940,760	8,906,898	(33,862)
Sales-			
Cafeteria	543,000	577,768	34,768
Bookstore	186,700	200,696	13,996
State Aid - Mandated Services	490,000	489,268	(732)
Donations and gifts	132,500	136,387	3,887
Co-curricular activities	264,000	324,059	60,059
Contributed services	261,108	280,814	19,706
Driver education fees	220,350	212,150	(8,200)
Rental income	156,746	155,406	(1,340)
Use of facilities - other	74,200	74,200	-
Interest	81,000	48,682	(32,318)
Registration fees	43,000	43,455	455
Athletic activities	17,400	18,133	733
Miscellaneous	26,500	26,795	295
Art fees	25,650	26,026	376
Graduation fees	24,700	25,220	520
Standardized testing	3,900	5,773	1,873
Recovery of bad debts	5,500	3,961	(1,539)
Net assets released from restrictions	<u>250,000</u>	<u>261,181</u> (1)	<u>11,181</u>
 Total operating revenues	 <u>\$11,747,014</u>	 <u>\$11,816,872</u>	 <u>\$ 69,858</u>

(Continued)

The accompanying notes to financial statements
should be read in conjunction with this statement.

HOLY TRINITY DIOCESAN HIGH SCHOOL
OF THE DIOCESE OF ROCKVILLE CENTRE
UNRESTRICTED NET ASSETS
BUDGET VS. ACTUAL STATEMENT OF OPERATING ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)

	Budget (Unaudited)	Actual	Favorable (Unfavorable)
EXPENSES:			
Instructional expenses	\$ 5,982,369	\$ 6,097,165	\$ (114,796)
Employee benefits	1,549,968	1,549,818	150
Administrative expenses	1,306,484	1,330,576	(24,092)
Operation and maintenance of plant	1,169,814	1,165,658	4,156
Bookstore, cafeteria and other	642,158	717,270	(75,112)
Athletic activities	608,252	595,895 (1)	12,357
Co-curricular activities	371,512	776,124 (1)	(404,612)
Rectory, convent and chapel	126,563	122,080	4,483
Bad debt expense	36,000	24,931	11,069
Total operating expenses	11,793,120	12,379,517	(586,397)
Decrease in unrestricted net assets before subsidies and excluding depreciation and amortization expense	(46,106)	(562,645)	(516,539)
OPERATING AND FINANCIAL GRANTS SUBSIDIES FROM DIOCESE OF ROCKVILLE CENTRE	185,000	185,000	-
Decrease in unrestricted net assets excluding depreciation and amortization expense	138,894	(377,645)	(516,539)
CAPITAL EXPENDITURES	50,000	250,025	(200,025)
CAPITAL SUBSIDY FROM DIOCESE OF ROCKVILLE CENTRE	50,000	107,776	(57,776)
Capital expenditures in excess of capital subsidy	-	(142,249)	142,249
Increase (decrease) in net assets after capital expenditures and excluding depreciation and amortization expense	\$ 138,894	\$ (519,894)	\$ (658,788)

NOTE: Actual operating expenses exclude depreciation and amortization expense of \$361,005 for the year ended June 30, 2003 since the budget does not include depreciation and amortization expense.

Capital expenditures are subsidized by the Capital Subsidy from the Diocese of Rockville Centre and the remainder is subsidized by temporarily restricted net assets released from restrictions.

- (1) Includes \$19,816 in athletic activities and \$241,365 in co-curricular activities which have been released from temporarily restricted net assets.

The accompanying notes to financial statements
should be read in conjunction with this statement.