

**HOLY TRINITY DIOCESAN HIGH SCHOOL**  
**OF THE DIOCESE OF ROCKVILLE CENTRE**  
**FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2004 AND 2003**  
**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, 2004 and 2003, 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 audits 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, 2004 and 2003, 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 financial statements taken as a whole. The budget vs. actual statement of operating activities for the year ended June 30, 2004 is presented for purposes of additional analysis and is not a required part of the financial statements. The actual information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Melville, New York  
July 19, 2004

*Callaghan Nawrocki*

**HOLY TRINITY DIOCESAN HIGH SCHOOL**  
**OF THE DIOCESE OF ROCKVILLE CENTRE**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2004 AND 2003**

<b><u>ASSETS</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Cash	\$ 246,243	\$ 123,463
Cash investments	1,780,111	1,595,134
Cash and cash equivalents	<u>2,026,354</u>	<u>1,718,597</u>
Accounts receivable - students, net of allowance for doubtful accounts of \$25,073 and \$38,785, respectively	50,905	78,746
Other accounts receivable	387,918	159,023
Inventories of fuel, books and food	26,582	25,438
Prepaid expenses	43,855	61,945
Property and equipment, net of accumulated depreciation and amortization of \$7,258,355 and \$6,866,658, respectively	<u>2,159,486</u>	<u>2,310,310</u>
 Total assets	 <u><u>\$ 4,695,100</u></u>	 <u><u>\$ 4,354,059</u></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Cash overdraft	\$ -	\$ 51,223
Accounts payable and accrued expenses	98,748	87,803
Accrued salaries and benefits	1,765,975	1,391,173
Accrued sick pay	1,416,987	1,380,593
Deferred revenue - advance tuition and registration fees	98,161	80,485
Deferred revenue - other	<u>297,124</u>	<u>298,613</u>
 Total liabilities	 <u>3,676,995</u>	 <u>3,289,890</u>
Commitments		
Net assets:		
Unrestricted:		
Undesignated	(1,507,988)	(1,538,007)
Plant	2,159,486	2,310,310
Total unrestricted net assets	<u>651,498</u>	<u>772,303</u>
Temporarily restricted	<u>366,607</u>	<u>291,866</u>
 Total net assets	 <u>1,018,105</u>	 <u>1,064,169</u>
 Total liabilities and net assets	 <u><u>\$ 4,695,100</u></u>	 <u><u>\$ 4,354,059</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, 2004**  
**(With Comparative Totals For 2003)**

	Unrestricted	Temporarily Restricted	Total	
			2004	2003
<b>REVENUES:</b>				
Tuition	\$ 9,464,439	\$ -	\$ 9,464,439	\$ 8,970,023
Less: financial grants	(46,408)	-	(46,408)	(63,125)
Net tuition	9,418,031	-	9,418,031	8,906,898
Sales-				
Cafeteria	611,279	-	611,279	577,768
Bookstore	168,262	-	168,262	200,696
State Aid - Mandated Services	617,675	-	617,675	489,268
Donations and gifts	276,261	380,497	656,758	550,588
Co-curricular activities	355,707	-	355,707	324,059
Contributed services	286,508	-	286,508	280,814
Driver education fees	216,951	-	216,951	212,150
Rental income	176,442	-	176,442	155,406
Use of facilities - other	73,480	-	73,480	74,200
Interest	44,977	-	44,977	48,682
Registration fees	40,430	-	40,430	43,455
Athletic activities	19,670	62,734	82,404	38,878
Miscellaneous	27,097	-	27,097	26,795
Art fees	25,141	-	25,141	26,026
Graduation fees	26,205	-	26,205	25,220
Standardized testing	3,087	-	3,087	5,773
Recovery of bad debts	3,469	-	3,469	3,961
Net assets released from restrictions	368,490	(368,490)	-	-
<b>Total operating revenues</b>	<b>12,759,162</b>	<b>74,741</b>	<b>12,833,903</b>	<b>11,990,637</b>
<b>EXPENSES:</b>				
Instructional expenses	6,502,049	-	6,502,049	6,097,165
Employee benefits	1,738,044	-	1,738,044	1,549,818
Administrative expenses	1,107,580	-	1,107,580	1,330,576
Operation and maintenance of plant	1,256,930	-	1,256,930	1,165,658
Bookstore, cafeteria and other	711,841	-	711,841	717,270
Athletic activities	690,299	-	690,299	595,895
Co-curricular activities	840,539	-	840,539	776,124
Depreciation and amortization expense	391,696	-	391,696	361,005
Rectory, convent and chapel	109,587	-	109,587	122,080
Bad debt expense	20,682	-	20,682	24,931
<b>Total operating expenses</b>	<b>13,369,247</b>	<b>-</b>	<b>13,369,247</b>	<b>12,740,522</b>
Excess (deficiency) of revenues over (under) expenses	(610,085)	74,741	(535,344)	(749,885)
<b>SUBSIDIES FROM DIOCESE OF ROCKVILLE CENTRE:</b>				
Operating subsidy	366,918	-	366,918	138,931
Financial grants subsidy	32,563	-	32,563	46,069
Capital subsidy	89,799	-	89,799	107,776
<b>Total subsidies</b>	<b>489,280</b>	<b>-</b>	<b>489,280</b>	<b>292,776</b>
Change in net assets	(120,805)	74,741	(46,064)	(457,109)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>772,303</b>	<b>291,866</b>	<b>1,064,169</b>	<b>1,521,278</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 651,498</b>	<b>\$ 366,607</b>	<b>\$ 1,018,105</b>	<b>\$ 1,064,169</b>

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, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (46,064)	\$ (457,109)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	391,696	361,005
Decrease in accounts receivable - students, net	27,841	15,088
Increase in accounts receivable - other	(228,895)	(159,023)
Increase in inventories of fuel, books and food	(1,144)	(4,590)
Decrease in prepaid expenses	18,090	147,441
Increase (decrease) in cash overdraft	(51,223)	51,223
Increase (decrease) in accounts payable and accrued expenses	10,945	(38,719)
Increase in accrued salaries and benefits	374,802	98,118
Increase in accrued sick pay	36,394	128,663
Increase (decrease) in deferred revenue - advance tuition and registration	17,676	(4,275)
Decrease in deferred revenue - other	(1,489)	(21,484)
Net cash provided by operating activities	<u>548,629</u>	<u>116,338</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment, net	<u>(240,872)</u>	<u>(250,025)</u>
Net cash used by investing activities	<u>(240,872)</u>	<u>(250,025)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	307,757	(133,687)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,718,597</u>	<u>1,852,284</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,026,354</u>	<u>\$ 1,718,597</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, 2004 AND 2003**

(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, 2005.

(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, 2004 and 2003.

**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 or funds invested in the Diocesan administered investment vehicle.

On May 31, 2004, the High School transferred balances in its general and sick pay account to Unitas Investment Fund, Inc. ("Unitas") of the Roman Catholic Diocese of Rockville Centre. Unitas is a separately incorporated, non-regulated investment fund organized and operated exclusively for religious, charitable and educational purposes.

As of June 30, 2004, the cost of the High School's investment in Unitas as well as the cost of its investment in the Diocesan Deposit and Loan Account ("DLA") at June 30, 2003 approximated market value. The High School had the following two investment accounts in Unitas at June 30, 2004 and in the DLA at June 30, 2003:

	<u>2004</u>	<u>2003</u>
General account	\$ 720,464	\$ 566,766
Sick pay account	<u>1,059,647</u>	<u>1,028,368</u>
	<u>\$ 1,780,111</u>	<u>\$ 1,595,134</u>

**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, 2004 and 2003:

	<u>2004</u>	<u>2003</u>	<u>Life (in years)</u>
Land	\$ 320,000	\$ 320,000	N/A
Building	4,958,704	4,958,704	40
Building improvements	2,810,532	2,720,733	15
Library books	65,738	63,009	10
Furniture and equipment	1,252,867	1,104,522	5
Motor vehicles	<u>10,000</u>	<u>10,000</u>	5
	9,417,841	9,176,968	
Less: accumulated depreciation and amortization	<u>7,258,355</u>	<u>6,866,658</u>	
	<u>\$ 2,159,486</u>	<u>\$ 2,310,310</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, 2004 and 2003.

### **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.

### **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, 2004 and 2003. 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, 2003/2004 and 2002/2003 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, 2004, represented claims filed in the 2003/2004 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, 2003, represented claims filed in the 2002/2003 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the period. Actual results may differ from those estimates.

**(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, 2004 and 2003 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 \$85,462 and \$65,019 for the years ended June 30, 2004 and June 30, 2003, respectively.

(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 \$176,442 and \$155,406 for the years ended June 30, 2004 and 2003, 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, 2004 and 2003 was \$269,608 and \$236,260, respectively, for the noncontributory lay pension plan and \$3,465 and \$3,483, 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, 2004 are as follows:

2005	\$ 84,519
2006	6,204
2007	6,204
2008	6,204
2009	<u>3,102</u>
	<u>\$ 106,233</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, 2004**

	<u>Budget</u> <u>(Unaudited)</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES:			
Tuition	\$ 9,357,480	\$ 9,464,439	\$ 106,959
Less: financial grants	(90,000)	(46,408)	43,592
Net tuition	<u>9,267,480</u>	<u>9,418,031</u>	<u>150,551</u>
Sales-			
Cafeteria	564,000	611,279	47,279
Bookstore	179,300	168,262	(11,038)
State Aid - Mandated Services	497,000	617,675	120,675
Donations and gifts	134,500	276,261	141,761
Co-curricular activities	309,700	355,707	46,007
Contributed services	286,508	286,508	-
Driver education fees	219,315	216,951	(2,364)
Rental income	179,560	176,442	(3,118)
Use of facilities - other	78,280	73,480	(4,800)
Interest	45,400	44,977	(423)
Registration fees	46,000	40,430	(5,570)
Athletic activities	18,100	19,670	1,570
Miscellaneous	20,700	27,097	6,397
Art fees	24,600	25,141	541
Graduation fees	26,000	26,205	205
Standardized testing	4,900	3,087	(1,813)
Recovery of bad debts	4,000	3,469	(531)
Net assets released from restrictions	<u>356,000</u>	<u>368,490 (1)</u>	<u>12,490</u>
 Total operating revenues	 <u>\$12,261,343</u>	 <u>\$12,759,162</u>	 <u>\$ 497,819</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, 2004**  
**(Continued)**

	Budget (Unaudited)	Actual	Favorable (Unfavorable)
<b>EXPENSES:</b>			
Instructional expenses	\$ 6,441,707	\$ 6,502,049	\$ (60,342)
Employee benefits	1,779,593	1,738,044	41,549
Administrative expenses	1,118,193	1,107,580	10,613
Operation and maintenance of plant	1,221,294	1,256,930	(35,636)
Bookstore, cafeteria and other	686,101	711,841	(25,740)
Athletic activities	676,958	690,299 (1)	(13,341)
Co-curricular activities	436,196	840,539 (1)	(404,343)
Rectory, convent and chapel	136,883	109,587	27,296
Bad debt expense	36,000	20,682	15,318
<b>Total operating expenses</b>	<b>12,532,925</b>	<b>12,977,551</b>	<b>(444,626)</b>
Decrease in unrestricted net assets before subsidies and excluding depreciation and amortization expense	(271,582)	(218,389)	53,193
<b>OPERATING AND FINANCIAL GRANTS SUBSIDIES FROM DIOCESE OF ROCKVILLE CENTRE</b>			
	399,481	399,481	-
Increase in unrestricted net assets excluding depreciation and amortization expense	127,899	181,092	53,193
<b>CAPITAL EXPENDITURES</b>	<b>89,799</b>	<b>240,872</b>	<b>(151,073)</b>
<b>CAPITAL SUBSIDY FROM DIOCESE OF ROCKVILLE CENTRE</b>			
	89,799	89,799	-
Capital expenditures in excess of capital subsidy	-	(151,073)	151,073
Increase in net assets after capital expenditures and excluding depreciation and amortization expense	\$ 127,899	\$ 30,019	\$ (97,880)

NOTE: Actual operating expenses exclude depreciation and amortization expense of \$391,696 for the year ended June 30, 2004 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 \$33,501 in athletic activities and \$334,989 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.