

JOHN PAUL II HIGH SCHOOL

CONSOLIDATED ANNUAL FINANCIAL REPORT

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
John Paul II High School, Inc.
Plano, Texas

We have audited the accompanying consolidated financial statements of John Paul II High School, Inc. (the School), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015 and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

John Paul II High School, Inc.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of John Paul II High School, Inc. as of June 30, 2016 and 2015, 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.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
September 16, 2016

JOHN PAUL II HIGH SCHOOL, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 7,596,000	\$ 8,714,172
Accounts receivable, net of allowance for doubtful accounts of \$50,000 as of June 30, 2016 and 2015	4,553,681	3,525,147
Investments	1,975,392	1,514,110
Property and equipment, net of accumulated depreciation	36,711,023	37,670,233
Financing costs	129,909	158,778
Other assets	116,674	257,052
TOTAL ASSETS	\$ 51,082,679	\$ 51,839,492
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 776,549	\$ 458,875
Deferred revenue and support	11,951,936	12,058,852
Note payable and line of credit	23,249,000	24,141,000
Funds held for others	408,600	358,907
Total liabilities	36,386,085	37,017,634
NET ASSETS		
Unrestricted	13,691,963	13,875,129
Temporarily restricted	1,004,631	946,729
Total net assets	14,696,594	14,821,858
TOTAL LIABILITIES AND NET ASSETS	\$ 51,082,679	\$ 51,839,492

The Notes to Consolidated Financial Statements
are an integral part of these statements.

**JOHN PAUL II HIGH SCHOOL, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016**

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Tuition, net of financial aid	\$ 12,845,851	\$ -	\$ 12,845,851
Contributions and grants	1,291,808	25,000	1,316,808
Dining and sports	794,605	-	794,605
Investment income	23,681	99,701	123,382
Facility rental revenue	189,872	-	189,872
Other income	260,395	-	260,395
Total revenue and support	15,406,212	124,701	15,530,913
Net assets released from restrictions	66,799	(66,799)	-
Total revenue, support, and net assets released from restrictions	15,473,011	57,902	15,530,913
EXPENSES			
Program services			
Instructional	8,977,001	-	8,977,001
Administration	1,898,812	-	1,898,812
Support services			
Fundraising	913,423	-	913,423
Athletics	1,539,033	-	1,539,033
Facilities	1,385,966	-	1,385,966
Interest and amortization	941,942	-	941,942
Total expenses	15,656,177	-	15,656,177
Change in net assets	(183,166)	57,902	(125,264)
NET ASSETS, BEGINNING OF YEAR	13,875,129	946,729	14,821,858
NET ASSETS, END OF YEAR	\$ 13,691,963	\$ 1,004,631	\$ 14,696,594

The Notes to Consolidated Financial Statements are an integral part of these statements.

**JOHN PAUL II HIGH SCHOOL, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015**

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Tuition, net of financial aid	\$ 11,936,920	\$ -	\$ 11,936,920
Contributions and grants	1,490,334	25,003	1,515,337
Dining and sports	817,556	-	817,556
Investment income	908	26,043	26,951
Facility rental revenue	222,829	-	222,829
Other income	218,818	-	218,818
Total revenue and support	14,687,365	51,046	14,738,411
Net assets released from restrictions	<u>76,735</u>	<u>(76,735)</u>	<u>-</u>
Total revenue, support, and net assets released from restrictions	<u>14,764,100</u>	<u>(25,689)</u>	<u>14,738,411</u>
EXPENSES			
Program services			
Instructional	8,121,718	-	8,121,718
Administration	1,738,821	-	1,738,821
Support services			
Fundraising	1,019,291	-	1,019,291
Athletics	1,450,090	-	1,450,090
Facilities	1,185,359	-	1,185,359
Loss on disposal of assets	222,542	-	222,542
Interest and amortization	975,602	-	975,602
Total expenses	<u>14,713,423</u>	<u>-</u>	<u>14,713,423</u>
Change in net assets	50,677	(25,689)	24,988
NET ASSETS, BEGINNING OF YEAR	<u>13,824,452</u>	<u>972,418</u>	<u>14,796,870</u>
NET ASSETS, END OF YEAR	<u>\$ 13,875,129</u>	<u>\$ 946,729</u>	<u>\$ 14,821,858</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**JOHN PAUL II HIGH SCHOOL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (125,264)	\$ 24,988
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gain) loss on investment	(65,909)	9,283
Loss on disposal of assets	-	222,542
Depreciation and amortization	1,383,456	1,365,173
Accounts receivable	(1,028,534)	(2,106,874)
Other assets	140,378	63,179
Accounts payable and accrued expenses	317,674	(17,671)
Deferred revenue and support	(106,916)	1,238,722
Funds held for others	49,693	11,659
Net cash provided by operating activities	564,578	811,001
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(395,377)	(418,953)
Proceeds from sales of investments	101,223	611,105
Purchases of investments	(496,596)	(2,134,498)
Net cash used in investing activities	(790,750)	(1,942,346)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(892,000)	(892,000)
Net cash used in financing activities	(892,000)	(892,000)
Net change in cash and cash equivalents	(1,118,172)	(2,023,345)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,714,172	10,737,517
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,596,000	\$ 8,714,172
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 915,887	\$ 946,914

The Notes to Consolidated Financial Statements are an integral part of these statements.

**JOHN PAUL II HIGH SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1. ORGANIZATION

John Paul II High School, Inc. (the School) is a nonprofit coeducational institution of the Roman Catholic Diocese of Dallas (the Diocese) providing a Catholic secondary education in the Collin County and north Dallas area. The School's Board of Directors is responsible for the direction of the School. The School began operations in August 2005.

The School is organized as a single-member, Texas nonprofit corporation exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code through the annual IRS Group Ruling for the Catholic Church in the United States. The single member is the Bishop of the Diocese.

The School is a continuing Trustee of the John Paul II High School Building and Endowment Trust, a charitable nonprofit trust (the Trust). The Trust was established to create a fund to which individual donors may transfer property and from which the Trust can construct, expand, equip and maintain an educational institution, and fund a continuing endowment fund for the purpose of assisting, promoting and furthering the education of students enrolled in the School and to advance and support the operation of the School.

Title to the School's real estate is held by the Trust and the Trust is a co-borrower on the School's note payable (see Note 7).

Prior to the 2015-16 school year, all Facilities Maintenance and Food Service functions were outsourced to a third party contractor. At the beginning of the 2015-16 school year, these contracts were terminated, and the facilities maintenance and food service functions are now performed internally by employees of the School. This transition is reflected in an increase in payroll expense, and a decrease in maintenance and food service expenses (see Note 11).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the assets, liabilities, and related financial activity managed by the School, as well as the accounts of the Trust. All significant inter-entity balances and transactions have been eliminated in consolidation.

Display of Net Assets by Class

The School's financial resources are classified into net asset categories in accordance with activities or restrictions specified by donors. The balances and activities are classified into three categories according to the existence or absence of donor-imposed restrictions.

Unrestricted net assets represent available resources for support of the School's operations that are not subject to donor-imposed restrictions.

**JOHN PAUL II HIGH SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Display of Net Assets by Class – Continued

Temporarily restricted net assets represent available resources subject to donor-imposed restrictions that may or will be met either by actions of the School and/or the passage of time. These include, among others, undistributed earnings on endowments.

Permanently restricted net assets represent funds that are subject to donor-imposed restrictions requiring that the principal be invested in perpetuity and only the income may be used in accordance with the donor restrictions. Permanently restricted net assets include endowment contributions. The School has no permanently restricted net assets as of June 30, 2016 and 2015.

Financial Instruments

The recorded value of the School's financial instruments (cash and cash equivalents, accounts receivable and accounts payable and accruals) approximate their fair values based on their short-term nature.

Revenue Recognition

Deferred revenue and support represents amounts received by the School for tuition, technology fees, and financial aid applicable to the following school year.

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period received, net of an allowance for collection. Pledges that are scheduled to be collected after the statement of financial position date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restrictions are met. Pledges subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Donated assets other than cash are recorded at their estimated fair value at the date of donation. Donor-imposed restrictions on contributions that are satisfied during the period are reported as released from restrictions. Contributions whose restrictions are satisfied in the same year as the contribution is received are recognized as unrestricted contributions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Dividends, interest, and net gains on investments from permanently restricted net assets are reported as increases in temporarily restricted net assets since the terms of these gifts impose restrictions on the income and net gains.

Cash Equivalents

Cash equivalents consist of commercial paper and other short-term, highly liquid investments with an original maturity of 90 days or less and are recorded at cost which approximates fair value.

JOHN PAUL II HIGH SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments in Marketable Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position based on available market quotes and information received from the custodian. Realized and unrealized gains and losses are included in the consolidated statements of activities.

Accounts Receivable

Accounts receivable, including pledges, are stated at unpaid principal balances, less the allowance for collection and a discount to reflect the adjustment necessary to state the stream of future payments at their current value. The allowance for collection is determined by management based on historical collection experience and ongoing analyses of each debtor's financial condition. The provision for the discount and the provision for uncollectible pledges are included in administration expense. Pledges or other receivables that are deemed to be uncollectible are charged to the allowance.

Property and Equipment

Property and equipment are capitalized at cost when purchased or at fair value at date of gift when donated. Major expenditures for property and those which substantially increase the useful lives of assets are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred.

Depreciation on property and equipment is provided on a straight-line basis over the following estimated useful lives of the assets.

Building and improvements	30 - 45 years
Furniture fixtures and equipment	3 - 7 years
Vehicles	10 years

Income Taxes

Under a group ruling issued by the Internal Revenue Service to the United States Conference of Catholic Bishops, the School, as an institution of the Roman Catholic Church in the United States, is exempt from federal income tax under Section 501(a) of the United States Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. As of June 30, 2016, the School has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. The School's tax years 2013 through 2015 remain subject to examination.

**JOHN PAUL II HIGH SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Advertising Costs

Advertising costs are expensed as incurred and totaled \$98,046 and \$59,274 for the years ended June 30, 2016 and 2015, respectively.

Subsequent Events

All events or transactions that occurred after June 30, 2016 through September 16, 2015, the date these consolidated financial statements were available to be issued, have been evaluated. During this period there were no material recognizable subsequent events.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. ACCOUNTS RECEIVABLE

Prior to the 2015-2016 academic year, tuition was generally required to be paid in full in advance, although in certain unique circumstances the School allowed tuition to be paid in monthly installments.

Beginning with the 2015-2016 academic year, the School offered a quarterly payment plan for the first time, with 220 students selecting this option. Quarterly payments were due June 2015; September 2015; December 2015; and March 2016. For the 2016-2017 academic year, tuition was billed in May 2016, with 304 students selecting the quarterly payment option. Quarterly payments are due June 2016; September 2016; December 2016; and March 2017.

The balance of accounts receivable consists of the following at June 30:

	2016	2015
Tuition	\$ 4,569,724	\$ 3,566,579
Other	33,957	8,568
Less allowance for doubtful accounts	(50,000)	(50,000)
Total	\$ 4,553,681	\$ 3,525,147

**JOHN PAUL II HIGH SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 4. INVESTMENT SECURITIES

Investments primarily include contributed funds set aside in trust or otherwise for specific purposes. The carrying values of investments by type at June 30, 2016 and 2015 are as follows:

	2016	2015
Money market, at fair value	\$ 5,017	\$ 5,911
Fixed income, at fair value	111,063	110,454
Equity mutual funds, at fair value	842,019	780,745
Total investments at fair value	958,099	897,110
Certificates of deposit, at cost	1,017,293	617,000
Total investments	\$ 1,975,392	\$ 1,514,110

The following tabulation summarizes investment income and its related classification in the statement of cash flows for the years ended June 30, 2016 and June 30, 2015:

	2016	2015
Interest and dividend income	\$ 57,473	\$ 36,234
Net realized and unrealized gain (loss) on investments	65,909	(9,283)
Investment income	\$ 123,382	\$ 26,951

Generally accepted accounting principles establish 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 inputs) and the lowest priority to unobservable inputs (level 3 inputs).

The three levels of the fair value hierarchy are described below:

Level 1 inputs: Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The majority of investments included in level 1 are common stock, fixed income securities and mutual funds typically valued at the closing price reported on the active market on which the individual securities are traded.

Level 2 inputs: Inputs (other than quoted market prices included within level 1) that are either directly or indirectly observable for the asset or liability, through correlation with market data at the measurement date and fair value is determined through the use of models or other valuation techniques. The investments included in level 2 are equity and bond fund securities typically valued based on information received from the custodian.

JOHN PAUL II HIGH SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. INVESTMENT SECURITIES – CONTINUED

Level 3 inputs: Prices or valuations that require unobservable inputs that are both significant to the fair measurement and unobservable. Fair value for these investments are determined using valuation methodologies that consider a range of factors including but not limited to the nature of the investment, market conditions, current and projected operating performance and changes in operating characteristics of the investment.

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. There have been no changes in the methodologies used at June 30, 2016 and 2015.

The table below summarizes the fair value of investments and other investment securities by level for the year ended June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ -	\$ 5,017	\$ -	\$ 5,017
Equity mutual funds:				
Domestic common stock	219,896	-	-	219,896
High dividend yield ETF	622,123	-	-	622,123
Fixed income	<u>111,063</u>	<u>-</u>	<u>-</u>	<u>111,063</u>
Total investments	<u>\$ 953,082</u>	<u>\$ 5,017</u>	<u>\$ -</u>	<u>\$ 958,099</u>

The table below summarizes the fair value of investments and other investment securities by level for the year ended June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ -	\$ 5,911	\$ -	\$ 5,911
Equity mutual funds:				
Domestic common stock	197,302	-	-	197,302
High dividend yield ETF	583,443	-	-	583,443
Fixed income	<u>110,454</u>	<u>-</u>	<u>-</u>	<u>110,454</u>
Total investments	<u>\$ 891,199</u>	<u>\$ 5,911</u>	<u>\$ -</u>	<u>\$ 897,110</u>

**JOHN PAUL II HIGH SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 5. PROPERTY AND EQUIPMENT

Land, building, equipment, vehicles, and assets subject to depreciation and amortization at June 30, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 8,029,167	\$ 8,029,167
Buildings and improvements	38,969,423	38,706,675
Furniture, fixtures, equipment & vehicles	<u>4,615,611</u>	<u>4,545,983</u>
Subtotal	51,614,201	51,281,825
Less accumulated depreciation	<u>(14,903,178)</u>	<u>(13,611,592)</u>
Net fixed assets	<u>\$ 36,711,023</u>	<u>\$ 37,670,233</u>

Depreciation expense was \$1,354,587 and \$1,336,304 for the years ended June 30, 2016 and 2015, respectively.

Depreciation was allocated in the following amounts for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Instructional	\$ 1,164,945	\$ 1,149,221
Athletics	162,550	160,356
Administration	<u>27,092</u>	<u>26,727</u>
Total	<u>\$ 1,354,587</u>	<u>\$ 1,336,304</u>

NOTE 6. FINANCING COSTS

Financing costs consist of fees and other expenses associated with debt financing and are amortized over the term of the related debt. Financing cost at June 30, 2016 and June 30, 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Financing costs	\$ 288,686	\$ 288,686
Less accumulated amortization	<u>(158,777)</u>	<u>(129,908)</u>
Net financing costs	<u>\$ 129,909</u>	<u>\$ 158,778</u>

Amortization expense was \$28,869 and \$28,869 for the years ended June 30, 2016 and 2015, respectively.

**JOHN PAUL II HIGH SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 7. NOTE PAYABLE AND LINE OF CREDIT

On December 23, 2010, the School completed a full re-financing of existing debt, which had previously been incurred for the acquisition, renovation, and construction of the School's facilities. The existing note is secured by the School's unrestricted assets. The terms of the note include a maturity date of December 23, 2020 and a fixed interest rate of 3.785%. The note was interest-only through June 2012, followed by quarterly principal payments of \$125,000 through September 2013. Beginning October 2013, the quarterly principal payments increased to \$223,000, which will continue until the note's maturity.

The debt service coverage ratio must be calculated annually based on audited consolidated financial statements. The terms of the re-financing require a minimum debt service coverage ratio of 1.10 for the years ended June 30, 2016 and 2015. As of June 30, 2016, the School is in compliance with this requirement.

The estimated principal amounts maturing in each of the five years subsequent to June 30, 2016 are as follows:

2017	\$	892,000
2018		892,000
2019		892,000
2020		892,000
Thereafter		19,861,000
	\$	23,429,000

In conjunction with the refinancing, the School has obtained a \$1,000,000 line of credit with the same bank. The line of credit had been renewed for both the 2015 and 2016 fiscal years, and has a current maturity date of January 31, 2017.

For the years ending June 30, 2016 and 2015, the School was able to meet its cash requirements and did not request an advance on its line of credit.

Internal Financing

On May 17, 2013, the Board of Trustees authorized a five year interest bearing loan from the Trust to John Paul II High School for a total of \$625,000. The purpose of the loan is to be used for the replacement of HVAC Chillers at the School. The interest on the loan is computed at a per annum rate equal to one year LIBOR as of May 16, 2013 (.70%) plus 2.55%, which is three and one quarter percent (3.25%). Interest shall be due and payable quarterly as it accrues beginning July 1, 2013 until May 16, 2018 when the principal and accrued interest unpaid is due and payable. The second advance on the loan was paid out to the School during 2014 for a total of \$624,975 and was outstanding at June 30, 2014. No additional amount was advanced during 2016, leaving an outstanding balance as of June 30, 2016 of \$624,975. The inter-entity balances have been eliminated in the consolidation.

**JOHN PAUL II HIGH SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 8. COMMITMENTS

The School leases equipment under operating leases with terms 3 to 5 years. Rent expense on these operating leases for the years ended June 30, 2016 and 2015 was \$62,125 and \$57,268, respectively. Future minimum lease payments on the operating leases are as follows for the fiscal years ended June 30:

	Operating Leases
2017	\$ 56,568
2018	56,568
2019	54,168
Total minimum lease payments	\$ 167,304

NOTE 9. NET ASSETS

Temporarily restricted assets have the following restrictions at June 30, 2016 and 2015:

	2016	2015
For tuition scholarships	\$ 958,098	\$ 897,110
For improvements and equipment	46,533	49,619
	\$ 1,004,631	\$ 946,729

NOTE 10. RELATED PARTIES

Defined Contribution Plan (403 B)

The School participates in the Diocese's 403(b) retirement savings plan (the Plan) for lay employees. The Plan is a defined contribution self-directed plan open to all eligible employees. Employee contributions to the Plan are fully vested whereas contributions made by the School on behalf of the employee vest over five years. After one year of service, the School contributes 3% of the eligible employee's compensation to the Plan and matches employee contributions on a dollar for dollar basis up to 3% of compensation effective January 2015, and up to 4% of compensation effective January 2016. The School's contributions to the Plan were \$322,159 and \$259,989 during the years ended June 30, 2016 and 2015, respectively.

Insurance

The School participates in the Diocesan workers' compensation, property and casualty insurance plan and School personnel participate in the Diocesan group insurance and flexible benefits plans. Amounts paid to the Diocese for these services were \$1,453,681 and \$1,145,561 for the years ended June 30, 2016 and 2015, respectively. As of June 30, 2016 and 2015 no amounts were owed to the Diocese.

**JOHN PAUL II HIGH SCHOOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 11. EXPENSES BY NATURAL CLASSIFICATION

Expenses by natural classification are as follows for the years ended June 30:

	Program Expenses	
	2016	2015
Advertising	\$ 98,046	\$ 59,274
Amortization of financing costs	28,869	28,869
Bank fees	55,942	55,894
Conferences, dues, and fees	126,065	113,351
Depreciation	1,354,587	1,336,304
Food service and meals	361,382	681,108
Fundraising	231,387	432,972
Insurance and taxes	288,160	255,316
Interest expense	913,073	946,733
Loss on disposal	-	222,542
Maintenance	354,511	1,141,498
Miscellaneous	(2,098)	47
Payroll, benefits, and contract labor	10,087,818	8,023,160
Postage and printing	99,178	71,608
Professional services	66,152	69,128
Supplies, equipment and rentals	810,327	549,824
Travel	185,921	170,358
Utilities	596,857	555,437
	<u>\$ 15,656,177</u>	<u>\$ 14,713,423</u>