

Financial Statements and Report of Independent  
Certified Public Accountants

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

June 30, 2012

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## Report of Independent Certified Public Accountants

To the Secretary of Catholic Education  
Archdiocese of Philadelphia

We have audited the accompanying statement of financial position of the Archdiocese of Philadelphia, Office of Catholic Education Schools of Special Education ("SPED") as of June 30, 2012 and the related statements of activities and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of SPED's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SPED's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 the Archdiocese of Philadelphia, Office of Catholic Education Schools of Special Education as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We draw attention to Note A to the financial statements, which describes the legal structure of SPED within the Archdiocese of Philadelphia. Our opinion is not modified with respect to this matter.

Philadelphia, Pennsylvania

June 20, 2013

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Archdiocese of Philadelphia, Office of Catholic Education  
Schools of Special Education

**STATEMENT OF FINANCIAL POSITION**

June 30, 2012

Assets	
Cash and cash equivalents, including amounts held by affiliate	\$ 816,247
Parental tuition receivable, less allowance for doubtful accounts of \$22,959	47,403
Due from related organizations (Note H)	22,834
Other receivables	26,029
Prepaid expenses and other assets	36,379
Investments (Note C)	2,818,371
Property and equipment, net (Note D)	<u>71,057</u>
 Total assets	 <u>\$ 3,838,320</u>
Liabilities	
Accounts payable	\$ 6,392
Accounts payable pension	5,345
Accrued salaries and wages	291,357
Deferred revenue	94,739
Due to related organizations (Note H)	<u>25,634</u>
 Total liabilities	 <u>423,467</u>
Net assets	
Unrestricted	170,143
Unrestricted - designated funds	2,038,529
Temporarily restricted (Note F)	<u>1,206,181</u>
 Total net assets	 <u>3,414,853</u>
 Total liabilities and net assets	 <u>\$ 3,838,320</u>

The accompanying notes are an integral part of this financial statement.

Archdiocese of Philadelphia, Office of Catholic Education  
Schools of Special Education

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended June 30, 2012

	Unrestricted	Unrestricted - designated funds	Temporarily restricted	Total
Revenue, gains and other support				
Tuition and fees	\$ 820,342	\$ -	\$ -	\$ 820,342
Less: tuition assistance	<u>148,241</u>	<u>-</u>	<u>-</u>	<u>148,241</u>
Net tuition	<u>672,101</u>	<u>-</u>	<u>-</u>	<u>672,101</u>
Other operating revenues				
Subsidy from Catholic Charities Appeal	1,325,000	-	-	1,325,000
Contributions and donations	236,698	-	158,287	394,985
Fundraising	157,337	-	-	157,337
Contributed services (Note I)	49,402	-	-	49,402
Miscellaneous income	53,249	-	-	53,249
Interest and investment income	<u>6,270</u>	<u>44,166</u>	<u>22,132</u>	<u>72,568</u>
Total other operating revenues	<u>1,827,956</u>	<u>44,166</u>	<u>180,419</u>	<u>2,052,541</u>
Change in value of split interest	-	-	(792)	(792)
Net realized losses on investments	-	(38,226)	(18,112)	(56,338)
Net unrealized losses on investments	<u>-</u>	<u>(54,856)</u>	<u>(25,878)</u>	<u>(80,734)</u>
Total investment losses	<u>-</u>	<u>(93,082)</u>	<u>(44,782)</u>	<u>(137,864)</u>
Net assets released from restrictions				
Satisfaction of purpose restrictions	<u>532,116</u>	<u>(301,316)</u>	<u>(230,800)</u>	<u>-</u>
Total revenues	<u>3,032,173</u>	<u>(350,232)</u>	<u>(95,163)</u>	<u>2,586,778</u>
Operating expenses				
Administrative expenses	377,522	-	-	377,522
Instruction expense	1,733,606	-	-	1,733,606
Operation and maintenance of plant	256,144	-	-	256,144
Employee benefits	<u>573,396</u>	<u>-</u>	<u>-</u>	<u>573,396</u>
Total operating expenses	<u>2,940,668</u>	<u>-</u>	<u>-</u>	<u>2,940,668</u>
Other expenses				
Transfer to Learning Disability Program	<u>50,084</u>	<u>-</u>	<u>-</u>	<u>50,084</u>
Total other expenses	<u>50,084</u>	<u>-</u>	<u>-</u>	<u>50,084</u>
Total expenses	<u>2,990,752</u>	<u>-</u>	<u>-</u>	<u>2,990,752</u>
Change in net assets	<u>41,421</u>	<u>(350,232)</u>	<u>(95,163)</u>	<u>(403,974)</u>
Net assets				
Beginning of year, as previously reported	128,722	-	2,994,237	3,122,959
Restatement (Note B)	<u>-</u>	<u>2,388,761</u>	<u>(1,692,893)</u>	<u>695,868</u>
Beginning of year, as restated	<u>128,722</u>	<u>2,388,761</u>	<u>1,301,344</u>	<u>3,818,827</u>
End of year	<u>\$ 170,143</u>	<u>\$ 2,038,529</u>	<u>\$ 1,206,181</u>	<u>\$ 3,414,853</u>

The accompanying notes are an integral part of this financial statement.

Archdiocese of Philadelphia, Office of Catholic Education  
Schools of Special Education

**STATEMENT OF CASH FLOWS**

Year ended June 30, 2012

Cash flows from operating activities	
Change in net assets	\$ (403,974)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	3,434
Provision for bad debts	22,959
Net realized losses on investments	56,338
Net unrealized losses on investments	80,734
Changes in operating assets and liabilities	
Increase in parental tuition receivable	(427)
Decrease in due from related organizations	90,643
Increase in other accounts receivable	(12,165)
Decrease in prepaid expenses and other assets	37,210
Decrease in accounts payable	(2,452)
Increase in accounts payable pension	5,345
Increase in due to related organizations	10,366
Increase in accrued payroll	46,823
Decrease in deferred revenue	<u>(27,570)</u>
Net cash used in operating activities	<u>(92,736)</u>
Cash flows from investing activities	
Purchase of property and equipment	(74,491)
Purchase of investments	(59,908)
Proceeds from sale of investments	<u>288,784</u>
Net cash provided by investing activities	<u>154,385</u>
Net increase in cash and cash equivalents, including amounts held by affiliate	61,649
Cash and cash equivalents, including amounts held by affiliate, beginning of year	<u>754,598</u>
Cash and cash equivalents, including amounts held by affiliate, end of year	<u>\$ 816,247</u>

The accompanying notes are an integral part of this financial statement.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### NOTE A - NATURE OF OPERATIONS

The accompanying financial statements of the Archdiocese of Philadelphia, Office of Catholic Education Schools of Special Education ("SPED") have been prepared on the accrual basis of accounting and include the funds generated from and for the operation and maintenance of SPED. They exclude certain entities of the Archdiocese of Philadelphia, which relate to SPED but are considered separate reporting entities. These entities are as follows:

- Individual High School Presidents' Accounts ("DHS")
- High School Operations Account ("DHS")
- Office of Catholic Education ("OCE") Administration Account
- Office for Financial Services
- Catholic Charities of the Archdiocese of Philadelphia (a Pennsylvania civil corporation; a.k.a. Catholic Charities Appeal of the Archdiocese of Philadelphia)
- Trustee Account of the Archdiocese of Philadelphia for Estates and Trusts
- The Archdiocese of Philadelphia Catholic Cemeteries Office
- The Archdiocese of Philadelphia Learning Disability Program ("Learning Disability Program"; program discontinued in June 2012)

The Schools of Special Education consist of:

- St. Lucy Day School
- Archbishop Ryan Academy for Children with Hearing Impairment
- Our Lady of Confidence Day School
- St. Katherine Day School

In addition, auxiliary organizations' accounts of the individual Schools of Special Education which account for certain fundraising activities, donations, student activities and special projects are not included in these financial statements.

SPED is considered to be a component of the Archdiocese of Philadelphia and not a separate legal entity.

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis. Net assets and their revenues, expenses, gains and losses are classified into two categories, based on the existence or absence of donor-imposed restrictions. The categories are temporarily restricted and unrestricted net assets.

Temporarily restricted net assets include gifts, trusts, income and gains which have either a time or use restriction but which may ultimately be expended.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Within the category of unrestricted net assets, management has elected to separately report as Designated Funds, funds which have internal purpose designations determined by the Archbishop or his designee. Although the funds are legally unrestricted, the management of SPED follows this designation in the use of these funds.

Unrestricted net assets are free from donor-imposed restrictions and are all the remaining net assets of SPED.

2. Revenue Recognition

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.

Cash contributions and fundraising revenues are recorded as revenue when received. Unconditional promises to give are recorded at their fair value when SPED is notified of these gifts. Conditional promises to give are recognized when the conditions are substantially met. Donor-restricted gifts which are received and expended within the same year are reported as unrestricted revenues. Gifts specified for the acquisition or construction of long-lived assets are reported as unrestricted net assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities and changes in net assets as net assets released from restrictions.

Contributed services is recorded as the value of services performed by members of religious groups, based on the lay equivalent salaries of personnel performing similar duties less the stipend allowances and faculty residence expenses paid for the religious personnel. The value of contributed services is included as revenue and, correspondingly, charged as expense.

3. Uses 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 disclosures 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.

4. Cash and Cash Equivalents, Including Amounts Held by Affiliate

Cash and cash equivalents, including amounts held by affiliate, represent demand deposits and other investments with an original maturity of three months or less. The carrying value approximates fair value.

(Continued)



NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Allowances for Doubtful Accounts

The allowance for doubtful accounts is provided based upon management's judgment, including such factors as prior collection history and the length of time a receivable is past due. SPED writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

6. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, with gains and losses included in the statement of activities and changes in net assets. The fair value of certain alternative investments is estimated using the net asset value ("NAV") per share.

7. Property and Equipment

Property and equipment purchased 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	20 years
Building improvements	20 years
Furniture and fixtures	5 years
Vehicles	10 years

8. Prior Period Adjustment

Net assets at July 1, 2011 have been restated for the following issues: a) reclassification of net assets and b) inclusion of funds previously recorded as part of the Trustee Account of the Archdiocese of Philadelphia for Estates and Trusts.

- a) Restatement of net assets (bequest) – The Archdiocese of Philadelphia received a bequest and internally designated funds for SPED to be used for tuition assistance. Management has concluded that since the original bequest was unrestricted, it should be recorded as unrestricted revenue under applicable accounting guidance. Management has shown these funds as designated to reflect the internal limitation on these funds. As a result, the unrestricted - designated funds net assets at July 1, 2011 increased and temporarily restricted net assets decreased by \$2,115,036.

(Continued)

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- b) Restatement of net assets (building sale) – SPED sold a building in previous years and has designated the proceeds on the sale of that building to be used for annual lease payments in the amount of \$50,000. Management has concluded that the sale represents an exchange transaction and that the designation on the use of the proceeds constitutes an unrestricted designated asset and not a temporarily restricted net asset. As a result, the unrestricted - designated funds net assets at July 1, 2011 increased and temporarily restricted net assets decreased by \$278,119.
- c) Inclusion of funds previously recorded as part of the Trustee Account of the Archdiocese of Philadelphia Estates and Trusts – Management reviewed the funds held as part of the Archdiocese of Philadelphia Estates and Trusts and determined that certain funds were more appropriately reported as part of SPED's financial statements. As a result, the unrestricted - designated funds net assets at July 1, 2011 decreased \$4,394 and the temporarily restricted net assets at July 1, 2011 increased by \$700,262.

The effect of these adjustments on the individual net asset categories of SPED is summarized as follows:

	<u>Unrestricted</u>	<u>Unrestricted - designated funds</u>	<u>Temporarily restricted</u>	<u>Total</u>
Net assets at July 1, 2011, as previously reported	\$ 128,722	\$ -	\$ 2,994,237	\$ 3,122,959
Restatement of net assets (bequest)	-	2,115,036	(2,115,036)	-
Restatement of net assets (building sale)	-	278,119	(278,119)	-
Inclusion of funds previously recorded as part of the Trustee Account of the Archdiocese of Philadelphia Estates and Trusts	<u>-</u>	<u>(4,394)</u>	<u>700,262</u>	<u>695,868</u>
Net assets at July 1, 2011, as restated	<u>\$ 128,722</u>	<u>\$ 2,388,761</u>	<u>\$ 1,301,344</u>	<u>\$ 3,818,827</u>

### NOTE C - INVESTMENTS

At June 30, 2012, SPED's investments are summarized and classified as follows:

	<u>Unrestricted - designated funds</u>	<u>Temporarily restricted</u>	<u>Total</u>
Archdiocese of Philadelphia Non-Pension Asset Portfolio	<u>\$ 1,810,410</u>	<u>\$ 1,007,961</u>	<u>\$ 2,818,371</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE C - INVESTMENTS - Continued

For administrative and other needs, the Archdiocese of Philadelphia formed the Archdiocese of Philadelphia Non-Pension Asset Portfolio ("NPAP") to pool together certain investments in order to more efficiently manage the investments of various entities and related organizations within the Archdiocese of Philadelphia. The investments in the NPAP are held by a custodian and are managed based on sub-accounts as follows:

*Equity Sub-Account (or "fund")* - Invests in common stocks and is managed by multiple investment managers.

*Fixed Income Sub-Account (or "fund")* - Invests in mutual funds, corporate obligations, United States Treasury obligations and municipal obligations and is managed by multiple investment managers.

*Liquidity Sub-Account (or "fund")* - Investments are liquid in nature and are used to buy and sell units of the Equity and Fixed Income funds.

The NPAP is unitized on a periodic basis to allow for the investment, at unit value, by entities in the NPAP. The Archdiocese of Philadelphia's investment in the NPAP is stated at unit value.

The Investment Committee of the Archdiocese of Philadelphia has primary responsibility for determining the allocation of amounts to be invested among the funds. Management is responsible for ensuring that investment allocations among the funds are maintained as determined by the Investment Committee.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at June 30, 2012 consist of:

Land improvements	\$ 29,850
Building improvements	11,070
Furniture and fixtures	5,180
Vehicles	<u>28,391</u>
	74,491
Accumulated depreciation	<u>(3,434)</u>
Property and equipment, net	<u>\$ 71,057</u>

Depreciation expense was \$3,434 for the year ended June 30, 2012.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE E - PENSION PLAN

The eligible lay employees of SPED are covered under the Archdiocese of Philadelphia Lay Employees' Retirement Plan (the "Plan") which is a defined benefit pension plan that covers substantially all lay employees, once age and service requirements are met, of the Archdiocese of Philadelphia, its institutions and parishes. The Plan is administered by the Trustees of the Lay Employees' Retirement Plan. SPED made annual contributions to the Plan at an average rate of 5.0% of the salaries of eligible teachers and nonteachers for the year ended June 30, 2012. The contributions of the SPED were \$69,374 for the year ended June 30, 2012. 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.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2012:

Tuition assistance	\$ 52,697
Specified school operations purposes	<u>1,153,484</u>
	<u>\$ 1,206,181</u>

During 2012, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of \$230,800.

NOTE G - INCOME TAXES

As part of the Archdiocese of Philadelphia, SPED has received exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code.

SPED follows 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. SPED does not believe its financial statements include any material uncertain tax positions.

NOTE H - RELATED PARTY TRANSACTIONS

As of June 30, 2012, amounts due from related organizations consisted of the following:

Office for Financial Services	\$ 22,784
Office for Catholic Education Administration Account	<u>50</u>
	<u>\$ 22,834</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE H - RELATED PARTY TRANSACTIONS - Continued

As of June 30, 2012, amounts due to related organizations consisted of the following:

Diocesan High Schools	\$ 1,097
Office for Financial Services	24,000
Nutritional Development Services	<u>537</u>
	<u>\$ 25,634</u>

The Educational Financial Services charges for bookkeeping and OCE management services provided to the SPED. Expenses charged in 2012 in relation to these services were \$159,000.

SPED receives subsidies from the Catholic Charities Appeal Fund, which is a fund administered by the Archdiocese of Philadelphia. Subsidies were \$1,325,000 for the year ended June 30, 2012.

Cash and cash equivalents include \$546,769 at June 30, 2012 held in trust funds maintained by the Office for Financial Services of the Archdiocese of Philadelphia. There are no conditions restricting the withdrawal of these funds.

OCE as part of SPED offered a separate program called the Learning Disability Program. These programs were regional learning support programs at the elementary level for students with diagnosed learning disabilities. OCE's Learning Disability Program was closed in June of 2012. During the year ended June 30, 2012, SPED provided a subsidy of \$50,084 to the Learning Disability Program.

NOTE I - CONTRIBUTED SERVICES

Contributed services consist of the following as of June 30, 2012:

Salaries - lay equivalent value of religious services	\$ 158,082
Expended for religious services	
Salaries, related employee benefits and faculty house expenses	<u>(108,680)</u>
	<u>\$ 49,402</u>

NOTE J - FAIR VALUE MEASUREMENTS

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.

(Continued)

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

### NOTE J - FAIR VALUE MEASUREMENTS - Continued

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.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SPED believes its 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 fair value of certain alternative investments is estimated using the NAV per share. These investments are classified as either Level 2, if SPED's investment can be redeemed at the reporting date or within the near term, or Level 3, if its investment is not redeemable at the NAV per share at or near the statement of financial position date.

Fair value measurements of investments in entities that calculate NAV per share or its equivalent as of June 30, 2012 are as follows:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Archdiocese NPAP (a)	\$ 2,818,371	\$ -	daily	1 day

- (a) A pooled investment portfolio comprised of equity and fixed income securities. The primary objective of the NPAP is preservation of capital while reducing, to the greatest extent possible, the possibility of loss. The investment strategy and long-term asset allocation for the NPAP takes into consideration the specific spending requirements and the present and future needs of the Archdiocese of Philadelphia and its respective participating Ecclesiastical Organizations. Therefore, the desired minimum rate of return is equal to the Consumer Price Index ("CPI") plus three percent (3%) on an annualized basis. The fair values are estimated using the NAV per share of the investments.

(Continued)

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

### NOTE J - FAIR VALUE MEASUREMENTS - Continued

The following table presents the fair values of the investments held by SPED by level within the fair value hierarchy, as of June 30, 2012:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Assets				
Archdiocese NPAP	\$ -	\$ 2,818,371	\$ -	\$ 2,818,371
Total of assets at June 30, 2012	<u>\$ -</u>	<u>\$ 2,818,371</u>	<u>\$ -</u>	<u>\$ 2,818,371</u>

### NOTE K - FUNCTIONAL EXPENSES

SPED provides services in order to operate and maintain schools included in Note A. Expenses related to providing these services are as follows for the year ended June 30, 2012:

School operations and maintenance	\$ 2,745,825
Administrative	<u>194,843</u>
	<u>\$ 2,940,668</u>

### NOTE L - LEASE COMMITMENTS

SPED has entered into lease agreements with respect to vehicles. The following is a schedule of future minimum lease payments for operating leases with noncancellable lease terms in excess of one year:

#### Year ending June 30,

2013	\$ 9,430
2014	8,620
2015	<u>739</u>
	<u>\$ 18,789</u>

Rental expenses for the year ended June 30, 2012 were \$13,220.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2012

**NOTE M - SUBSEQUENT EVENTS**

SPED evaluated its June 30, 2012 financial statements for subsequent events through June 20, 2013, the date the financial statements were available to be issued. SPED is not aware of any subsequent event which would require recognition or disclosure in the financial statements, except for as disclosed below:

On August 21, 2012, the Archdiocese of Philadelphia and the Faith in the Future Foundation (the "Foundation") reached an agreement in principle for the Foundation to assume the operational management and leadership of the 17 Catholic secondary schools and the four schools of special education of the Archdiocese of Philadelphia effective September 1, 2012. The Secretary for Catholic Education/Chief Operating Officer of Office of Catholic Education will report directly to the Foundation's Chief Executive Officer. The responsibilities of Office of Catholic Education will remain unchanged. All facilities will continue to be owned and operated by the Archdiocese of Philadelphia.