

## Office of Catholic Education

Narrative Explaining Audited Financial Statements for the Year Ended June 30, 2020.

This narrative accompanies the audited financial statements for the year ended June 30, 2020 for the Office of Catholic Education entities including the High Schools (see audited financial statements for Archdiocese of Philadelphia Office of Catholic Education High Schools), Schools of Special Education (see audited financial statements for Archdiocese of Philadelphia Office of Catholic Education Schools of Special Education), and the OCE Administration Account (see Archdiocese of Philadelphia Office of Catholic Education Administration Account). The High Schools include financial statements for the seventeen high schools owned by the Archdiocese. The Schools of Special Education include the financial statements for the four schools for children with special needs. A more detailed description of the entities, including those that are not included in the financial statements, appears in Note A of each set of financial statements.

The audited financial statements for all three entities provide information on the fiscal year ended June 30, 2020 (Fiscal 2020) and year ended June 30, 2019 (Fiscal 2019).

### High Schools

The High Schools financial statements report the overall financial position and results for the 17 high schools owned by the Archdiocese, which educated 11,008 students in Fiscal 2020 and 11,612 students in Fiscal 2019. Tuition and fees were the primary source of revenue that supports administrative and instructional salaries and benefits along with plant expenses. Other revenue includes donations, fund-raising, ticket sales, rental income, and commissions as well as net assets released from restriction.

As shown in the table below, there was a total decrease in net assets of \$9,367,487 for Fiscal 2020, which is a decrease from the change in net assets of \$3,342,891 in Fiscal 2019. The decrease in net assets in Fiscal 2020 was largely due to the risk mitigation payment into the Independent Reconciliation and Reparations Trust and other operating expenses of \$1,219,510, both of which were extra-ordinary expenses.

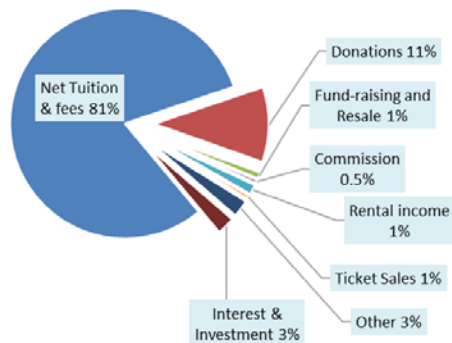
|   | Fiscal 2020    | Fiscal 2019  |
|---|----------------|--------------|
| Change in Net Assets Without Donor Restrictions | \$ (7,619,415) | \$ 744,883   |
| Change in Net Assets With Donor Restrictions    | (1,748,072)    | 2,598,008    |
| Total Change in Net Assets                      | \$ (9,367,487) | \$ 3,342,891 |

**Figure 1.** The St. Hubert community welcomed the archbishop Nov. 2, one day before the feast day of their school's patron saint. After a Mass he celebrated, Archbishop Pérez joined students and administrators for a tour that included the school's art, music, textile design and robotics studios.



(Photo by Sarah Webb)

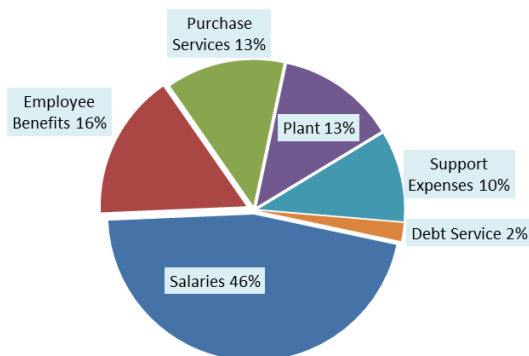
### Total High School Revenue 2019-2020



In Fiscal 2020, net tuition and fee revenue accounted for 81% of the revenue generating \$95.1 million. Donations generated another \$12.5 million or 11%. We are thankful for the generosity of our alumni and other benefactors who support our high schools. Most of the funds generated from alumni are used to help provide tuition assistance. An increased number of families required tuition assistance in the spring due to the Coronavirus outbreak.

In Fiscal 2020, High School operating expenses totaled \$117 million, thus the average total cost per student, including the cost of extracurricular activities, was \$10,665, a decrease of \$106 from Fiscal 2019. Actual tuition and fee charges were lower since other sources of funding supplemented the difference.

### High School Operating Expenses 2019-2020



Salary expenses make up the largest expense at 46%, followed by Employee Benefit costs at 16% of total operating expenses and then Purchase Services and plant both at 13% of the total costs.

While net assets without donor restriction were \$62.4 million at June 30, 2020, it should be noted that not all of this total was cash

available for operations. Property and equipment represented \$108.9 million of total assets, there was long term debt of \$50.8 million for the construction of new schools. Thus, \$47.1 million of this total is net property and equipment. In addition, the development funds are only available for use at specific schools.

Funds with donor restrictions have time or use restrictions that the High Schools must follow in the use of these funds. As described in Note G to the financial statements, these funds are typically restricted for tuition assistance or operations and improvements.

The funds with donor restrictions include funds where the donor-imposed restrictions that require the asset to be maintained in perpetuity, but which allow the High Schools to spend all or part of the income. As described in Note G to the financial statements, the endowments are generally for tuition assistance or for operations and improvements. The largest fund is the endowment from the Catholic Life 2000 campaign which totaled \$25.9 million at June 30, 2020. The high schools used \$1,841,500 for operations and maintenance from the earnings on this endowment in the Fiscal 2020.

## Schools of Special Education

The Schools of Special Education include Archbishop Ryan Academy, St. Lucy Day School, St. Katherine Day School and Our Lady of Confidence Day School. These schools provide a Catholic education to students with autism spectrum disorder and cognitive impairments and students with sensory impairments such as visual loss or deafness or hearing loss. The students receive specially designed instruction that includes supplementary aids and services in the least restrictive environment, as well as the full benefits of a Catholic education. In Fiscal 2020, the schools enrolled 150 students.

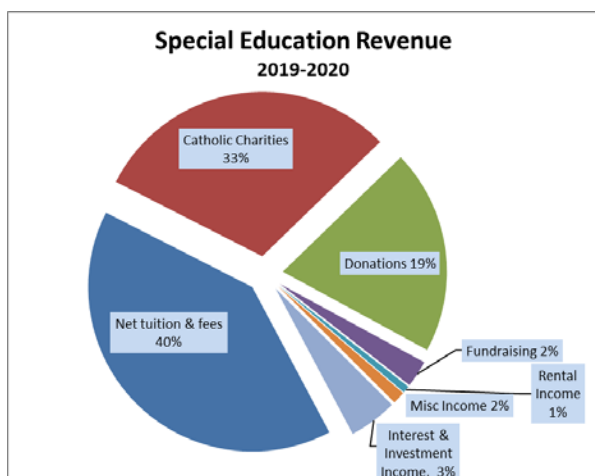
As shown in the table below, there was a decrease in total net assets of \$176,258 for Fiscal 2020, vs a total net change of \$89,795 in Fiscal 2019.



Figure 2: A student at St. Lucy is photographed during school.

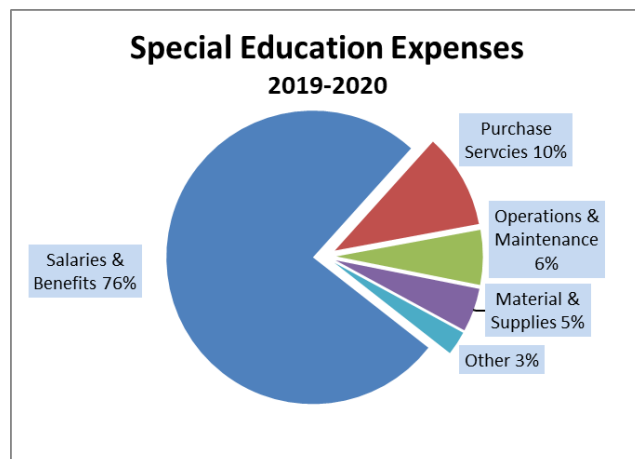
(Photo by Sr. Lisa Lettiere, IHM)

|   | Fiscal 2020  | Fiscal 2019 |
|---|--------------|-------------|
| Change in Net Assets Without Donor Restrictions | \$ 1,284     | \$ 32,525   |
| Change in Net Assets With Donor Restrictions    | (177,542)    | 57,270      |
| Total Change in Net Assets                      | \$ (176,258) | \$ 89,795   |



Contributions from Catholic Charities accounted for 33% of revenue, and net tuition accounted for 40% of the revenue for the special education schools. Tuition revenue was \$1,405,592, a decrease of \$42,596 from Fiscal 2019. Catholic Charities provided \$1,164,359 in Fiscal 2020, an increase of \$74,814 from Fiscal 2019. Donations raised by the local schools generated \$653,508 or 19% of total revenue.

Salaries and benefits represented the largest portion of expenses at 76%, followed by purchase services at 10%. The average cost per student was \$24,125 in Fiscal 2020. With the support of the Catholic Charities Appeal, tuition charges are well below this cost.



## Office of Catholic Education Administration

The Office of Catholic Education is responsible for providing administrative support to elementary, special education, and high schools, as well as, providing for support for the Catechetical programs in the Archdiocese. The Office provides services and training for teachers and administrators and direction on curriculum and instruction and the use of technology in instruction.

In Fiscal 2020, there was a change in net assets of (\$823,067) as contrasted with the change in net assets of \$1,391,543 in Fiscal 2019. The value of a beneficial trust held by a third party decreased by (\$760,553) in Fiscal 2020 and increased by \$771,187 in Fiscal 2019, which is a year over year change of (\$1,531,740). In Fiscal 2020, OCE made a \$757,059 payment to the Office of Catholic Education High Schools to help fund a risk mitigation payment into the Independent Reconciliation and Reparations Trust.

|   | Fiscal 2020  | Fiscal 2019  |
|---|--------------|--------------|
| Change in Net Assets Without Restrictions | \$ (486,777) | \$ 188,737   |
| Change in Net Assets With Restrictions    | (336,290)    | 1,202,806    |
| Total Change in Net Assets                | \$ (823,067) | \$ 1,391,543 |

Elementary schools are operated at the local level by parishes or regional boards, so their financial results are not included in any of the financial reports of the Office of Catholic Education. Similarly, the report does not include the financial activity of parish religious education programs.

During Fiscal 2020, revenue for the office came from the following sources:

|  |       |
|--|-------|
| High Schools, Special Education Schools and Parishes | 70%   |
| Distribution from Sullivan Trust                     | 19%   |
| Donations  | 10%   |
| Program Revenues                                     | 5%    |
| Other  | 2%    |
| Investment returns, net                              | 3%    |
| Change in Beneficial Trust from Sullivan Trust       | (9) % |

Net assets subject to time or use donor-imposed restrictions at June 30, 2020 include \$7,994,754 (see Note F to the financial statements) to be used for tuition assistance or programs. Net assets with donor-restrictions related to funds held in perpetuity include \$32,005,362 (see Note F to the financial statements) to be used for programs and tuition assistance. The net assets with donor-restrictions related to funds held in perpetuity include the Francis W. Sullivan Trust which is managed by an outside trust which provides annual support for tuition assistance and educational programs for all levels of education. The tuition assistance funds included in the Office of Catholic Education financial statements support elementary programs or provide for general funding at any level of education. Funds, which can only be used in high schools or special education schools, are included in those financial statements.