

## Office of Catholic Education

Narrative Explaining Audited Financial Statements for the Year Ended June 30, 2022.

This narrative accompanies the audited financial statements for the year ended June 30, 2022 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 fifteen high schools owned by the Archdiocese. The Schools of Special Education include the financial statements for the three 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, 2022 (Fiscal 2022) and year ended June 30, 2021 (Fiscal 2021).

### High Schools

The High Schools financial statements report the overall financial position and results for the 15 high schools owned by the Archdiocese, which educated 10,231 students in Fiscal 2022 and 10,457 students in Fiscal 2021. 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.

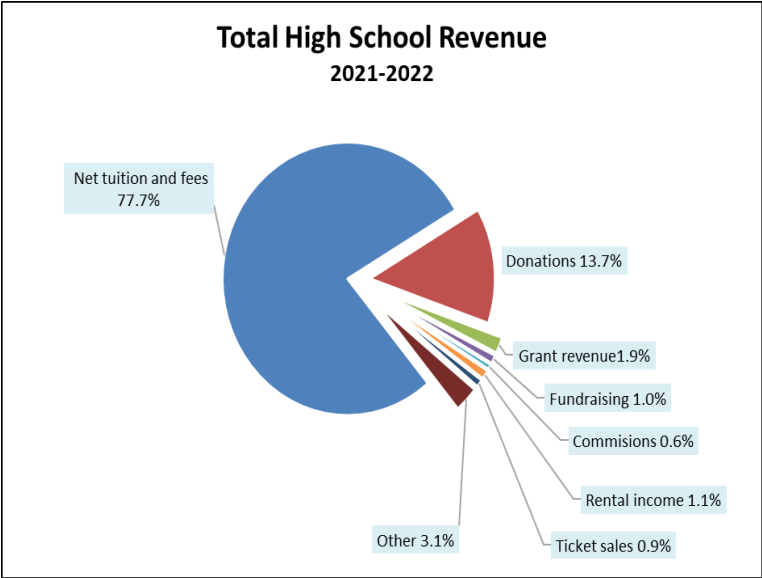
As shown in the table below, there was a total decrease in net assets of \$3,531,924 for Fiscal 2022, which is a decrease from the change in net assets of \$36,948,956 in Fiscal 2021.

	Fiscal 2022	Fiscal 2021
Change in Net Assets Without Donor Restrictions	\$ 13,245,026	\$ 12,963,578
Change in Net Assets With Donor Restrictions	(16,776,950)	23,985,378
Total Change in Net Assets	\$ (3,531,924)	\$ 36,948,956

**Figure 1** Archbishop Perez dines with students at Conwell Egan Catholic High School.



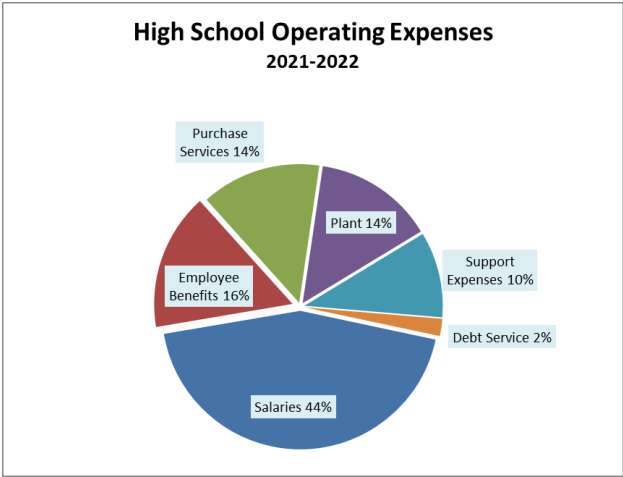
(Photo by Sarah Webb)



Please note not included in graphic is Investment loss of (\$14,638,138).

In Fiscal 2022, tuition and fee revenue accounted for 77.7% of the revenue generating \$92 million. Donations generated another \$16.2 million or 13.7%. 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. The volatility of the stock market during the fiscal year led to a net investment loss of (\$14,638,138). Management limited the amount of funds withdrawn during the year to minimize the loss.

In Fiscal 2022, High School operating expenses totaled \$113.2 million, thus the average total cost per student, including the cost of extracurricular activities, was \$11,062, an increase of \$103 from Fiscal 2021. Actual tuition and fee charges were lower since other sources of funding supplemented the difference.



Salary expenses make up the largest expense at 44%, followed by Employee Benefit costs at 16% of total operating expenses and then Purchase Services and plant both at 14% of the total costs.

While net assets without donor restriction were \$88.7 million at June 30, 2022, it should be noted that not all of this total was cash available for operations. Property and equipment represented \$101.5 million of total assets, there was long term debt of \$47.5 million for the construction of new schools. Thus, \$54 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 require that 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, 2022. The high schools used \$1,885,100 for operations and maintenance from the earnings on this endowment in the Fiscal 2022.

During the fiscal year ended June 30, 2022, two properties were sold, one faculty house was demolished and land at another school was leased resulting in a net gain on sale of property of \$6,458,932. Additionally, an agreement for the ground land lease provided an upfront lease payment over ninety-nine years which shows on the statement of financial position as deferred land revenue of \$12.4 million.

### Schools of Special Education

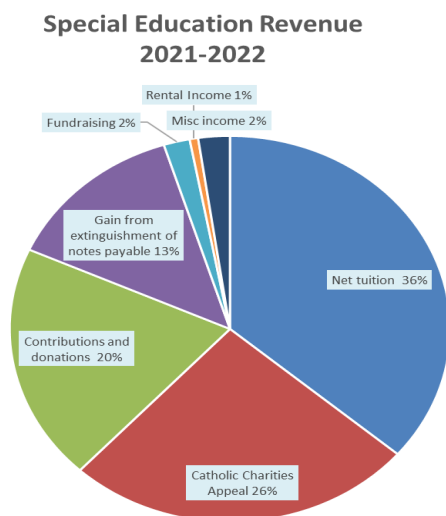
The Schools of Special Education include St. Lucy School, St. Katherine School and Our Lady of Confidence School. These schools provide a Catholic education to students with autism spectrum disorder and cognitive impairments and students with sensory impairments such as visual loss. The students receive 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 2022, the schools enrolled 150 students.



**Figure 2** I.H.M. Sister Lisa Lettiere, principal of St. Lucy School for Children with Visual Impairments, supervises students as they use adaptive technology in their lessons. (Photo by Gina Christian)

As shown in the table below, there was a decrease in total net assets of \$606,928 for Fiscal 2022, vs a total net increase of \$1,005,684 in Fiscal 2021.

	Fiscal 2022	Fiscal 2021
Change in Net Assets Without Donor Restrictions	\$ (261,441)	\$ 629,843
Change in Net Assets With Donor Restrictions	(345,487)	375,841
<b>Total Change in Net Assets</b>	<b>\$ (606,928)</b>	<b>\$ 1,005,684</b>

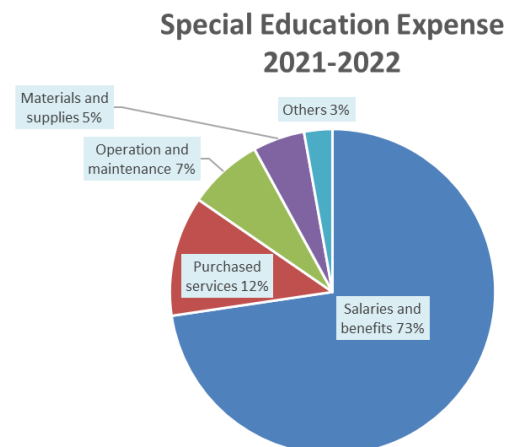


Contributions from Catholic Charities accounted for 26% of revenue, and net tuition accounted for 36% of the revenue for the special education schools. Tuition revenue was \$1,460,667, an increase of \$56,228 from Fiscal 2021. Catholic Charities provided \$1,035,859 in Fiscal 2022, a decrease of \$149,802 from Fiscal 2021. Donations raised by the local schools generated \$798,803 or 20% of total revenue. Net investment return for the year was (\$717,795) due to the market volatility. Management did not withdraw any funds to limit the loss.

Please note not included in graphic is Investment loss of (\$717,795).

Salaries and benefits represented the largest portion of

expenses at 73%, followed by purchased services at 12%. The average cost per student was \$26,039 in Fiscal 2022. 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. 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 2022, there was a change in net assets of (\$5,159,963) as contrasted with the change in net assets of \$7,533,205 in Fiscal 2021. The value of a beneficial trust held by a third party decreased by \$4,083,606 in Fiscal 2022 and increased by \$4,665,998 in Fiscal 2021, which is a year over year change of (\$8,749,604).

	Fiscal 2022	Fiscal 2021
Change in Net Assets Without Restrictions	\$ 441,037	\$ 439,652
Change in Net Assets With Restrictions	(5,601,000)	7,093,553
Total Change in Net Assets	\$ (5,159,963)	\$ 7,533,205

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 2022, revenue for the office came from the following sources:

High Schools, Special Education Schools and Parishes	54%
Distribution from Sullivan Trust	17%
Donations	15%
Gain from forgiveness of loan from related party	8%
Program Revenues	3%
Ambassadors Fund for Catholic Education	2%
Other	1%

Please note that net investment losses were \$2.0 million, of which \$1,736,972 was related to investment net returns on funds with donor restrictions, and the decrease in beneficial interest in perpetual trust of \$4 million are not included in the revenue sources listed.

Net assets subject to time or use donor-imposed restrictions at June 30, 2022 include \$8,758,599 (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 \$ 32,734,070 (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.

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