

## Office of Catholic Education

Narrative Explaining Audited Financial Statements for the Year Ended June 30, 2019.

This narrative accompanies the audited financial statements for the year ended June 30, 2019 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, 2019 (Fiscal 2019) and year ended June 30, 2018 (Fiscal 2018).

### 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 11,612 students in Fiscal 2019 and 12,382 students in Fiscal 2018. In Fiscal 2019, the high schools implemented a new consolidated income statement (eliminating Presidents Accounts). School development funds continue to be held at each school therefore development fund activity is reported in the supplemental schedules. 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.

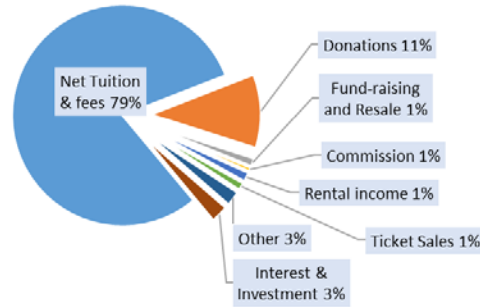


**Figure 1.** Signing an agreement for a dual course of study between John W. Hallahan Catholic Girls' High School and Community College of Philadelphia are Denise Kassekert, president of Hallahan; Donald Guy Generals, president of CCP; and Sister Maureen McDermott, I.H.M., superintendent of secondary schools for the Archdiocese of Philadelphia's Office of Catholic Education. (Photo by Sarah Webb)

As shown in the table below, there was a total change in net assets of \$3,342,891 for Fiscal 2019, which is a decrease from the change in net assets of \$12,708,796 in Fiscal 2018. During Fiscal 2018, one school received a \$5 million-dollar pledge over ten years to be used for operations and programs within the school.

	Fiscal 2019	Fiscal 2018
Change in Net Assets Without Donor Restrictions	\$ 744,883	\$ 1,610,892
Change in Net Assets With Donor Restrictions	2,598,008	11,097,904
Total Change in Net Assets	\$ 3,342,891	\$ 12,708,796

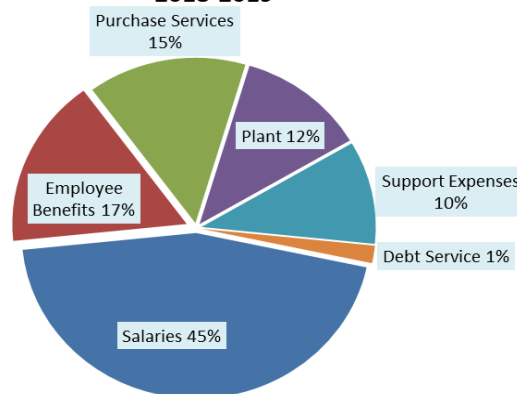
### Total High School Revenue 2018-2019



In Fiscal 2019, tuition and fee revenue accounted for 79% of the revenue generating \$100.3 million. Donations generated another \$13.5 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.

In Fiscal 2019, High School operating expenses totaled \$125 million, thus the average total cost per student, including the cost of extracurricular activities, was \$10,771, an increase of \$405 from Fiscal 2018. Actual tuition and fee charges were lower since other sources of funding supplemented the difference.

### High School Operating Expenses 2018-2019



Salary expenses make up the largest expense at 45%, followed by Employee Benefit costs at 17% of total operating expenses and then Purchase Services at 15% of the total costs.

While net assets without donor restriction were \$70.1 million at June 30, 2019, it should be noted that not all of this total was cash available for operations. Property and equipment represented \$109.8 million of total assets and there was long term debt of \$52.3 million for the construction of new schools. Thus, \$57.5 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, 2019. The high schools used \$1,748,760 for operations and maintenance from the earnings on this endowment in the Fiscal 2019.

## Schools of Special Education

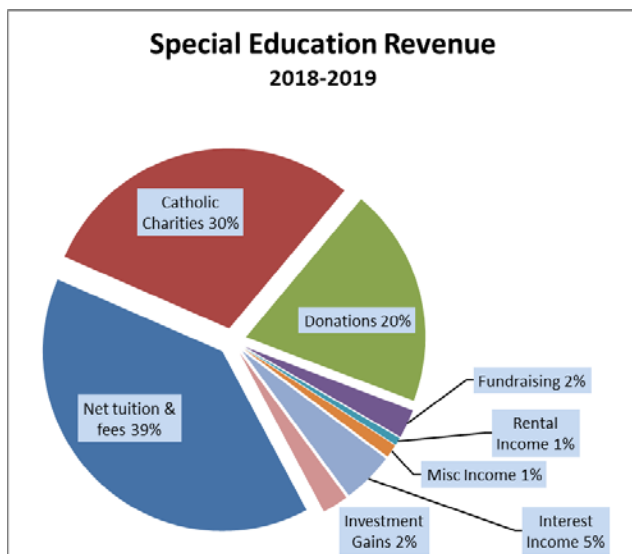
The Schools of Special Education include Archbishop Ryan Academy, St. Lucy Day School, St. Katherine Day School and Our Lady of Confidence Day School. These schools provide a Catholic education to students with autism spectrum disorder and cognitive impairments and students with sensory impairments such 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 2019, the schools enrolled 163 students.

As shown in the table below, there was a total change in net assets of \$89,795 for Fiscal 2019, vs a total net change of \$584,946 in Fiscal 2018.



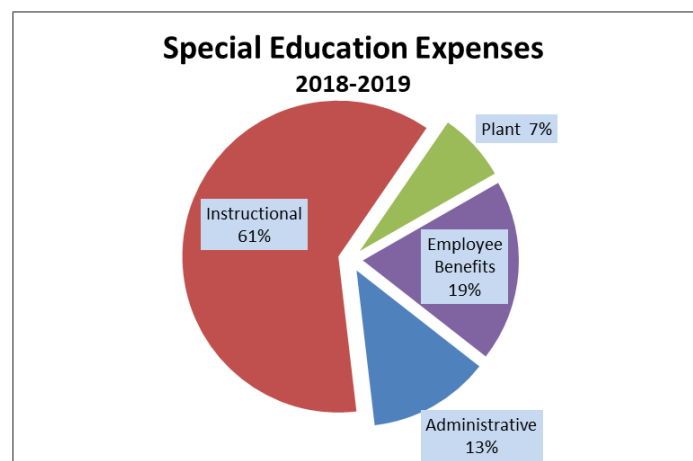
Figure 2: A student at St. Lucy is photographed receiving their First Holy Communion. (Photo by Sr. Lisa Lettiere, IHM)

	Fiscal 2019	Fiscal 2018
Change in Net Assets Without Donor Restrictions	\$ 32,525	\$ 203,593
Change in Net Assets With Donor Restrictions	57,270	381,353
Total Change in Net Assets	\$ 89,795	\$ 584,946



Contributions from Catholic Charities accounted for 30% of revenue, and net tuition accounted for 39% of the revenue for the special education schools. Tuition revenue was \$1,448,188, an increase of \$50,224 from Fiscal 2018. Catholic Charities provided \$1,089,545 in Fiscal 2019, a decrease of \$226,643 from Fiscal 2018. Donations raised by the local schools generated \$724,530 or 20% of total revenue.

Instructional expenses represented the largest portion of expenses at 61%, followed by employee benefits at 19%. The average cost per student was \$22,054 in Fiscal 2019. 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 2019, there was a change in net assets of \$1,391,543 as contrasted with the change in net assets of \$447,873 in Fiscal 2018. The value of a beneficial trust held by a third party increased by \$771,187 in Fiscal 2019 and decreased by \$17,764 in Fiscal 2018.

	Fiscal 2019	Fiscal 2018
Change in Net Assets Without Restrictions	\$ 188,737	\$ (32,323)
Change in Net Assets With Restrictions	1,202,806	480,196
Total Change in Net Assets	\$ 1,391,543	\$ 447,873

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 2019, revenue for the office came from the following sources:

High Schools, Special Education Schools and Parishes	58%
Distribution from Sullivan Trust	13%
Program Revenues	10%
Change in Beneficial Trust from Sullivan Trust	7%
Donations	5%
Other	4%
Net Realized Gains on Investments	2%
Archdiocesan Educational Fund	1%

Net assets subject to time or use donor-imposed restrictions at June 30, 2019 include \$7,605,125 (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 \$32,731,281 (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 perp/etuity 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.