

Financial Statements and Report of  
Independent Certified Public  
Accountants

**The Philadelphia Theological Seminary of  
St. Charles Borromeo**

June 30, 2024 and 2023

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

The Board of Trustees  
The Philadelphia Theological Seminary of St. Charles Borromeo

**Report on the financial statements****Opinion**

We have audited the financial statements of The Philadelphia Theological Seminary of St. Charles Borromeo (the "Seminary"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Seminary as of June 30, 2024 and 2023, 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.

**Basis for opinion**

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America ("US GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Seminary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of management for the financial statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Seminary's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Seminary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Seminary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Supplementary information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Financial Responsibility Supplemental Schedule as of and for the year ended June 30, 2024, in accordance with the U.S. Department of Education's Final Rule: *Student Assistance General Provisions, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Programs*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2024, on our consideration of the Seminary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Seminary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Seminary's internal control over financial reporting and compliance.

*Grant Thornton LLP*

Philadelphia, Pennsylvania  
November 21, 2024

**The Philadelphia Theological Seminary of St. Charles Borromeo**

**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 20,909,604	\$ 18,977,606
Restricted cash	2,236,278	3,000,000
Accounts receivable students, net	4,080	48,971
Other receivables, net	2,577,157	160,685
Prepaid expenses and other assets	3,006,464	2,713,610
Investments	23,280,302	44,328,090
Property and equipment, net	47,184,974	17,265,323
Beneficial interest in perpetual trusts	1,765,774	1,631,663
Beneficial interest in foundation	465,820	425,319
	<b>\$ 101,430,453</b>	<b>\$ 88,551,267</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 3,209,438	\$ 1,865,776
Deferred revenue	1,385,453	302,828
Other liabilities	-	18,725
Charitable gift annuities payable	53,137	55,235
	<b>4,648,028</b>	<b>2,242,564</b>
<b>Net assets</b>		
Net assets without donor restrictions		
Undesignated	60,160,746	31,565,209
Board designated for construction of new Seminary	9,902,573	29,993,979
Net assets with donor restrictions	26,719,106	24,749,515
	<b>96,782,425</b>	<b>86,308,703</b>
Total net assets	<b>\$ 101,430,453</b>	<b>\$ 88,551,267</b>
Total liabilities and net assets	<b>\$ 101,430,453</b>	<b>\$ 88,551,267</b>

The accompanying notes are an integral part of these financial statements.

The Philadelphia Theological Seminary of St. Charles Borromeo

STATEMENT OF ACTIVITIES

Year ended June 30, 2024

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>Revenues and other support</b>			
Tuition and fees, net	\$ 3,400,760	\$ -	\$ 3,400,760
Contributions and grant income	10,793,514	689,234	11,482,748
Contributed services	733,704	-	733,704
Investment return, net	1,010,380	2,966,954	3,977,334
Other income	1,258,321	143,200	1,401,521
Auxiliary enterprises			
Cafeteria	1,398,463	-	1,398,463
Dormitory	689,478	-	689,478
Change in charitable gift annuities	2,098	-	2,098
Net assets released from restrictions	1,829,797	(1,829,797)	-
	<u>21,116,515</u>	<u>1,969,591</u>	<u>23,086,106</u>
Total revenues and other support			
<b>Expenses</b>			
Program services			
Instruction	1,733,692	-	1,733,692
Academic support	1,854,774	-	1,854,774
Student services	998,873	-	998,873
Management and general			
Operations and maintenance	2,697,538	-	2,697,538
Institutional support	3,792,256	-	3,792,256
Auxiliary enterprises	796,701	-	796,701
	<u>11,873,834</u>	<u>-</u>	<u>11,873,834</u>
Total expenses			
Change in net assets before other items	9,242,681	1,969,591	11,212,272
Relocation expenses	(1,413,617)	-	(1,413,617)
Gain on sale of artwork and rare books	675,067	-	675,067
	<u>8,504,131</u>	<u>1,969,591</u>	<u>10,473,722</u>
<b>CHANGE IN NET ASSETS</b>			
<b>Net assets</b>			
Beginning of year	61,559,188	24,749,515	86,308,703
End of year	<u>\$ 70,063,319</u>	<u>\$ 26,719,106</u>	<u>\$ 96,782,425</u>

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

The Philadelphia Theological Seminary of St. Charles Borromeo

STATEMENT OF ACTIVITIES

Year ended June 30, 2023

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and other support</b>			
Tuition and fees, net	\$ 3,017,260	\$ -	\$ 3,017,260
Contributions	18,238,148	61,318	18,299,466
Contributed services	719,880	-	719,880
Investment return, net	746,442	2,384,620	3,131,062
Other income	785,980	114,831	900,811
Auxiliary enterprises			
Cafeteria	1,254,276	-	1,254,276
Dormitory	619,089	-	619,089
Change in charitable gift annuities	2,138	-	2,138
Net assets released from restrictions	1,160,168	(1,160,168)	-
	<u>26,543,381</u>	<u>1,400,601</u>	<u>27,943,982</u>
Total revenues and other support			
<b>Expenses</b>			
Program services			
Instruction	1,704,007	-	1,704,007
Academic support	1,706,557	-	1,706,557
Student services	908,046	-	908,046
Management and general			
Operations and maintenance	2,554,279	-	2,554,279
Institutional support	3,968,701	-	3,968,701
Auxiliary enterprises	787,680	-	787,680
	<u>11,629,270</u>	<u>-</u>	<u>11,629,270</u>
Total expenses			
Change in net assets before other items	14,914,111	1,400,601	16,314,712
Relocation expenses	(1,024,597)	-	(1,024,597)
Gain on sale of artwork and rare books	69,569	-	69,569
	<u>13,959,083</u>	<u>1,400,601</u>	<u>15,359,684</u>
<b>CHANGE IN NET ASSETS</b>			
<b>Net assets</b>			
Beginning of year	47,600,105	23,348,914	70,949,019
End of year	<u>\$ 61,559,188</u>	<u>\$ 24,749,515</u>	<u>\$ 86,308,703</u>

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



The Philadelphia Theological Seminary of St. Charles Borromeo

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 10,473,722	\$ 15,359,684
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	335,157	198,614
Net appreciation in fair value of investments	(3,022,112)	(2,019,676)
Contributions to beneficial interests in perpetual trusts and foundation	(7,538)	(144,821)
Distributions from beneficial interests in perpetual trusts and foundation	29,486	32,080
Change in fair value of beneficial interests in perpetual trusts and foundation	(196,560)	(37,685)
Realized losses on investments	600,707	484,253
Gain on sale of artwork and rare books	(675,067)	(69,569)
Changes in operating assets and liabilities:		
Accounts receivable students, net	44,891	47,648
Other receivables, net	(2,416,472)	(21,158)
Prepaid expenses and other assets	(292,854)	865,246
Accounts payable and accrued expenses	1,343,662	969,425
Deferred revenue	1,082,625	124,862
Other liabilities	(18,725)	(42,364)
Charitable gift annuities payable	(2,098)	(2,138)
	<u>7,278,824</u>	<u>15,744,401</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(30,254,808)	(16,033,241)
Purchases and sales of investments, net	23,469,193	3,715,699
Sale of artwork and rare books	675,067	69,569
	<u>(6,110,548)</u>	<u>(12,247,973)</u>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	1,168,276	3,496,428
<b>Cash, cash equivalents, and restricted cash:</b>		
Beginning of year	<u>21,977,606</u>	<u>18,481,178</u>
End of year	<u>\$ 23,145,882</u>	<u>\$ 21,977,606</u>
<b>Reconciliation of cash, cash equivalents, and restricted cash:</b>		
Cash and cash equivalents	\$ 20,909,604	\$ 18,977,606
Restricted cash	<u>2,236,278</u>	<u>3,000,000</u>
	<u>\$ 23,145,882</u>	<u>\$ 21,977,606</u>

The accompanying notes are an integral part of these financial statements.

**The Philadelphia Theological Seminary of St. Charles Borromeo**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2024 and 2023**

**NOTE A - OPERATIONS OF THE SEMINARY**

The Philadelphia Theological Seminary of St. Charles Borromeo (the "Seminary"), which is incorporated in the Commonwealth of Pennsylvania, operates for the benefit of the Roman Catholic community in general and the Roman Catholic Archdiocese of Philadelphia in particular. The Seminary's principal function is the academic and spiritual preparation of future priests. To fulfill this objective, the Seminary operates a four-year liberal arts college and a four-year school of theology.

Other educational programs that have been developed for summer and evening students are provided by the Graduate School of Theology Division.

On April 14, 2021, the Seminary and Gwynedd Mercy University signed a purchase agreement to allow the Seminary to relocate to Gwynedd Mercy University's campus. With the successful completion of the transaction, Gwynedd Mercy University and the Seminary will remain two separate and distinct institutions. Each will continue to maintain a separate governance structure, academic freedom, and the ability to offer programming consistent with their missions and core values. The \$10,000,000 purchase price, which was funded entirely by proceeds from the sale of the Seminary's Overbrook campus in 2019, included approximately 15 acres of space and two existing buildings from Gwynedd Mercy University.

On November 17, 2022, the Seminary and Gwynedd Mercy University announced the closing of the first phase of the transaction to acquire property and buildings, allowing the Seminary to relocate to Lower Gwynedd Township on part of Gwynedd Mercy's campus. This phase of the sale included approximately 13 acres of land on the northern border of Gwynedd Mercy's campus along with an existing building called Visitation House located on that parcel.

On April 19, 2023, the Seminary and Gwynedd Mercy University announced the closing of the second phase of the transaction. This phase of the sale included approximately 2 acres of land and the existing Alexandria Hall located on that parcel.

As of June 30, 2024, construction was nearing completion. Temporary certificates of occupancy were granted by Lower Gwynedd Township on July 31, 2024, and the Seminary began physically moving to the new campus the first week of August 2024. Full operations commenced on August 19, 2024.

Relocation expenses incurred by the Seminary primarily include professional services related to the costs of removal, restoration and disposition of sacred art and artifacts from the existing campus; many of which were relocated to the new campus. Also included are the costs to remediate the spaces from which these objects have been removed.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The financial statements of the Seminary have been prepared on the accrual basis of accounting.

***Classes of Net Assets***

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- Net assets without donor restrictions are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

**The Philadelphia Theological Seminary of St. Charles Borromeo**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

- Net assets with donor restrictions are subject to donor-imposed stipulations that they be maintained permanently by the Seminary or expire over the passage of time. Generally, the donors of these assets permit the Seminary to use all or part of the investment return on these assets. Such assets primarily include the Seminary's donor-restricted endowment funds.

***Revenues and Expenses***

Expenses are generally reported as decreases in net assets without donor restrictions. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Contributions and investment return with donor-imposed restrictions that are met in the same year as they are received are recorded as revenues without donor restrictions. Contributions restricted for the acquisition of land, buildings and equipment are reported as revenues with donor restrictions. These contributions are reclassified to net assets without donor restrictions upon the assets being placed into service.

***Cash and Cash Equivalents and Restricted Cash***

The Seminary considers all highly liquid investments with an original maturity of three months or less, and that are not held as components of its respective investment portfolio, to be cash equivalents. At June 30, 2024 and 2023, cash equivalents consisted principally of money market funds. The carrying amount approximates fair value. At June 30, 2024 and 2023 the Seminary had \$2,236,278 and \$3,000,000, respectively, in restricted cash deposits with Lower Gwynedd Township associated with construction and site work.

***Allowance for Credit Losses***

The allowance for credit losses on student receivables is provided based upon management's judgment, including such factors as prior collection history and the type of receivable. The Seminary writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. At June 30, 2024 and 2023, the Seminary recorded an allowance for doubtful accounts of \$0 and \$20,000, respectively.

***Deferred Revenue***

Deferred revenue relates to tuition, deposits and other payments for the upcoming summer semester received prior to fiscal year end at both June 30, 2024 and 2023. Conditional contributions in the amount of \$1,324,633 were not recognized, but rather included in deferred revenue, as of June 30, 2024 as the conditions on which they depend have not been substantially met.

***Investments***

Investments are held in two publicly traded SEI Catholic Values public mutual funds. The Catholic Values Equity Fund and the Catholic Values Fixed Income Fund ("Catholic Values Funds") provide Catholic institutions with high-quality products that align with their core values, without sacrificing diversification or return potential. Specifically, the funds align with the investment directives set forth by the United States Conference of Catholic Bishops ("USCCB"). The Archdiocese of Philadelphia appointed SEI Private Trust Company to act as custodian (the "Custodian") of the Trustee Accounts. Investments are reported at fair value.

Fair value for investments held outside of the SEI Investment Portfolio is determined as more fully described in the fair value measurements footnote (see Note D). Management is responsible for the fair value measurement of investments reported in the financial statements and believes the reported values are reasonable. Realized gains and losses on securities sold are determined using the specific-identification

**The Philadelphia Theological Seminary of St. Charles Borromeo**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

method. For securities owned at the end of the year, the difference between the original cost and fair value represents net appreciation (depreciation) in fair value of investments.

***Beneficial Interest in Perpetual Trusts***

The Seminary is the sole beneficiary of a perpetual charitable trust and is a beneficiary of a share in perpetual charitable trusts. The supporting charitable trusts require the income to be used by the Seminary to assist in the educational cost of Seminary students. The Seminary's beneficial interest in the supporting charitable trusts is recorded at the fair value of the assets underlying the trusts of \$1,765,774 and \$1,631,663 at June 30, 2024 and 2023, respectively.

The underlying investments of the beneficial interest in the perpetual trusts consist of mutual funds and fixed income and equity securities.

***Beneficial Interest in Foundation***

The Seminary contributed certain funds to an outside foundation and is the sole beneficiary of The Cardinal Foley Chair Endowment Fund ("Endowment Fund") and The Cardinal Foley Chair Program Fund ("Program Fund") held by the outside foundation. The Endowment Fund requires the income to be used by the Seminary for the exclusive purposes of maintaining The John Cardinal Foley Chair for Homiletics and Social Communications. The Program Fund requires the income to be used by the Seminary for the exclusive purposes of maintaining The John Cardinal Foley Chair for Homiletics and Social Communications and renovations. The renovation funds shall be distributed as required to design and furnish all necessary equipment for the new Homiletics room but may not exceed \$100,000. The Seminary's beneficial interest in the foundation is recorded at the fair market value of the assets underlying the Endowment Fund of \$132,038 and \$114,938 and Program Fund of \$333,782 and \$310,381 at June 30, 2024 and 2023, respectively. The Endowment Fund and the Program Fund are recorded as net assets with donor restrictions in accordance with the restrictions of the original donors.

The underlying investments of the beneficial interest in foundation consist of mutual funds and fixed income and equity securities.

***Property and Equipment, Net***

Property and equipment acquisitions are recorded at cost. Depreciation is recognized over the estimated useful life of the asset, which ranges from three to 40 years, depending on the asset's classification. Depreciation expense is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Repairs and maintenance costs occurring in the normal course of business that do not extend the useful life of the underlying asset are expensed as incurred.

***Charitable Gift Annuities Payable***

The Seminary enters into charitable gift annuities, whereby the Seminary receives assets that are recorded at fair value when received. The assets of \$74,469 and \$81,288 are included in investments at June 30, 2024 and 2023, respectively. Periodic annuity payments are made to the donor until the donor's death. Upon receipt of the assets, a liability is recorded at the present value of the estimated future payments to be distributed over the donor's and/or other beneficiaries' expected life, based on the GAM-2000 Mortality Tables and discount rates set when the annuity agreement is established, which range between 3.0% and 6.0%. The liability at June 30, 2024 and 2023 is \$53,137 and \$55,235, respectively.

**The Philadelphia Theological Seminary of St. Charles Borromeo**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

***Tuition and Fees, Net***

The Seminary maintains a policy of offering qualified applicants' admission without regard to financial circumstances. This policy provides for financial aid to those admitted in the form of direct grants, scholarships funded by the endowment, gifts, loans, and employment during the academic year. Direct grants represent the difference between the stated charge for tuition and fees and the amount billed to the student or third parties making payments on behalf of the student. Financial aid in direct grants to students was \$789,010 and \$705,500 for the years ended June 30, 2024 and 2023, respectively. Tuition and fees have been reduced by these direct grants.

The Seminary recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration the Seminary expects to be entitled to in exchange for those goods or services. Revenue is recognized as performance obligations within a contract are satisfied.

The Seminary recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

One summer term is offered from the beginning of July to mid-August. Payments for tuition and housing for the summer term are recognized as performance obligations are met. Because the invoicing for the summer programming is billed in advance, the payments received in advance are included in deferred revenue. Tuition and fees of \$60,820 and \$72,235 were included in deferred revenue at June 30, 2024 and 2023, respectively.

***Auxiliary Enterprises***

Auxiliary services exist to furnish goods or services to students, faculty, and staff and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services.

Auxiliary services revenue includes revenues from contracts with customers to provide student housing and dining facilities.

Performance obligations for housing and dining services are delivered over the academic terms. Consequently, revenue from housing and dining services is recognized ratably as services are rendered.

Auxiliary enterprises consist of activities distinct from the primary purpose of education. These activities include food services (cafeteria) and housing (dormitory) with revenues and expenditures which are based on amounts received from students and are apportioned to room and board based upon the Seminary's quoted fees in the student catalogue.

***Contributions***

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of the fundraising activity. Conditional contributions in the amount of \$1,324,633 were not recognized, but rather included in deferred revenue, as of June 30, 2024 as the conditions on which they depend have not been substantially met.

The Philadelphia Theological Seminary of St. Charles Borromeo

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

***Contributed Services***

The salaries of priests and members of religious groups assigned to the Seminary are nominal in relation to the services rendered. The difference between the fair value of these services, as determined from the Fact Book on Theological Education, published by the Association of Theological Schools, and the actual compensation paid and other benefits provided by the Seminary, are recorded as contributed services and the related functional expenses in the statements of activities. Contributed services did not have donor-imposed restrictions.

***Estimates by Management***

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reported period. The most significant management estimates and assumptions relate to the determination of the valuation of beneficial interest in perpetual trusts and beneficial interest in foundation; useful lives of fixed assets; actuarial estimates for the charitable gift annuities payable; the reported fair values of certain of the Seminary's assets and liabilities; and the functional allocation of expenses. Actual results could differ from those estimates.

***Concentrations of Credit Risk***

The Seminary's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments. These funds are held in various high-quality financial institutions managed by Seminary personnel and outside advisors. The Seminary maintains its cash and cash equivalents in financial institutions that typically significantly exceed federally insured limits. The Seminary believes that the concentrations of credit risk are reasonable for its cash and cash equivalents and investments.

***Tax-Exempt Status***

Under provisions of Internal Revenue Code Section 501(c)(3) and the applicable income tax regulations of Pennsylvania, the Seminary is exempt from taxes on income other than unrelated business income.

The Seminary recognizes or derecognizes a tax position based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The Seminary does not believe its financial statements include any material uncertain tax positions.

***Recently Adopted Accounting Pronouncement***

Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses*, was effective for the Seminary on July 1, 2023. This ASU addresses measurement of credit losses on financial instruments and replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of information to inform credit loss estimates. The Seminary implemented the ASU, and it did not have a significant impact on the financial statements.

The Philadelphia Theological Seminary of St. Charles Borromeo

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

**NOTE C - INVESTMENTS**

Investments are reported at fair value and consist of the following:

Investments held by SEI

*Catholic Values Equity Fund* - Invests in common stocks.

*Catholic Values Fixed Income Fund* - Invests in mutual funds, corporate obligations, United States Treasury obligations and municipal obligations.

Account holders have the option of six asset classifications in which to invest. The options include a short-duration U.S. government bond fund, a 100% fixed income bond fund and four equity funds with varying fixed income to equity mixes of 30/70, 50/50, 60/40 or 70/30. The Finance and Budget Committee of the Philadelphia Theological Seminary of St. Charles Borromeo has primary responsibility for determining fixed income to equity mix. The asset mix of the mutual funds is SEI's responsibility.

Investments held by Haverford Trust (2023)

Investments held by Haverford Trust consist of certificates of deposit, corporate bonds and notes, and money market funds. At June 30, 2024 all investments held by Haverford were distributed and used to fund construction activities.

At June 30, 2024 and 2023, the Seminary held the following categories of investments:

	<u>2024</u>	<u>2023</u>
U.S. Treasuries	\$ 384,099	\$ 365,963
Money market funds	-	5,083,445
Fixed income funds	-	9,971,719
Mutual funds	-	7,746,190
Catholic values equity fund	16,141,827	14,883,366
Catholic values fixed income fund	<u>6,754,376</u>	<u>6,277,407</u>
Total investments	<u>\$ 23,280,302</u>	<u>\$ 44,328,090</u>

**NOTE D - FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, 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.

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.

The Philadelphia Theological Seminary of St. Charles Borromeo

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

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 the Seminary 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 investments could result in a different fair value measurement at the reporting date.

The following table presents the fair values of the assets held by the Seminary by level within the fair value hierarchy, as of June 30, 2024:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
SEI equity and fixed income funds	\$ 22,896,203	\$ -	\$ -	\$ 22,896,203
U.S. Treasuries	384,099	-	-	384,099
Total investments	23,280,302	-	-	23,280,302
Beneficial interest in perpetual trusts	-	-	1,765,774	1,765,774
Beneficial interest in foundation	-	-	465,820	465,820
Total assets	<u>\$ 23,280,302</u>	<u>\$ -</u>	<u>\$ 2,231,594</u>	<u>\$ 25,511,896</u>



**The Philadelphia Theological Seminary of St. Charles Borromeo**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

The following table presents the fair values of the assets held by the Seminary by level within the fair value hierarchy, as of June 30, 2023:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
SEI equity and fixed income funds	\$ 21,160,773	\$ -	\$ -	\$ 21,160,773
Money market funds	5,083,445	-	-	5,083,445
U.S. Treasuries	365,963	-	-	365,963
Fixed income funds	9,971,719	-	-	9,971,719
Mutual funds	7,746,190	-	-	7,746,190
<b>Total investments</b>	<b>44,328,090</b>	<b>-</b>	<b>-</b>	<b>44,328,090</b>
Beneficial interest in perpetual trusts	-	-	1,631,663	1,631,663
Beneficial interest in foundation	-	-	425,319	425,319
<b>Total assets</b>	<b>\$ 44,328,090</b>	<b>\$ -</b>	<b>\$ 2,056,982</b>	<b>\$ 46,385,072</b>

The table below sets forth a summary of changes in the fair value of the Seminary's Level 3 assets for the years ended June 30, 2024 and 2023:

	Beneficial Interest in Perpetual Trusts	Beneficial Interest in Foundation
Balance at June 30, 2022	\$ 1,499,867	\$ 406,689
Change in fair value of assets	(1,082)	38,767
Contributions	142,482	2,339
Distributions	(9,604)	(22,476)
Balance at June 30, 2023	1,631,663	425,319
Change in fair value of assets	146,080	50,480
Contributions	-	7,538
Distributions	(11,969)	(17,517)
Balance at June 30, 2024	<u>\$ 1,765,774</u>	<u>\$ 465,820</u>

**The Philadelphia Theological Seminary of St. Charles Borromeo**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

**NOTE E - STUDENT & AUXILIARY REVENUES**

Net revenues received from students consist of the following for the years ended June 30:

	2024	2023
Tuition and fees	\$ 4,189,770	\$ 3,722,760
Less: scholarships	(789,010)	(705,500)
Net tuition and fees	\$ 3,400,760	\$ 3,017,260

**NOTE F - PROPERTY AND EQUIPMENT, NET**

The following summarizes property and equipment, net at June 30:

	2024	2023
Building and building improvements	\$ 8,266,054	\$ 8,266,054
Land	2,250,000	2,250,000
Equipment	497,594	497,594
Construction in progress	37,143,728	6,888,920
	48,157,376	17,902,568
Less: accumulated depreciation	(972,402)	(637,245)
Property and equipment, net	\$ 47,184,974	\$ 17,265,323

Depreciation expense of \$335,157 and \$198,614 has been recorded for the years ended June 30, 2024 and 2023, respectively.

**NOTE G - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as to purpose or time are available for the following at June 30, 2024 and 2023:

	2024	2023
Student scholarships and student grants	\$ 3,967,800	\$ 3,672,808
Other related donor-restricted projects	1,306,061	1,204,195
Beneficial interest in foundation	465,820	425,319
Endowment funds to be held in perpetuity, primarily to support student scholarships	19,213,651	17,815,530
Beneficial interests in perpetual trusts	1,765,774	1,631,663
	\$ 26,719,106	\$ 24,749,515

**The Philadelphia Theological Seminary of St. Charles Borromeo**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

**NOTE H - NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors for the years ended June 30, 2024 and 2023 as follows:

	2024	2023
Purpose restrictions accomplished		
Catholic Life 2000	\$ 300,220	\$ 293,223
Scholarship fund	604,410	588,445
Estates and trusts	28,073	26,306
Krol Chair	115,849	114,402
New Seminary construction	528,362	-
Expenses related to other projects	252,883	137,792
	\$ 1,829,797	\$ 1,160,168

**NOTE I - ENDOWMENTS**

The Seminary holds approximately 20 individual donor-restricted endowments. The Seminary's endowments consist of donor-restricted endowment funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

In accordance with Commonwealth of Pennsylvania Act 141, the Seminary classifies as endowments: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Pennsylvania law permits the Seminary to release a percentage, which is elected annually, of the market value of its endowment funds into income without donor restrictions. The spending rate percentage, between 2% and 7%, is applied to the three-year average of the market value of the endowment funds' assets.

***Return Objectives and Risk Parameters***

The Seminary has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of 3% over the consumer price index while assuming a moderate level of investment risk. The Seminary expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from that amount.

***Spending Policy***

In accordance with state law, net realized and unrealized gains on restricted endowment investments are included as net assets with donor restrictions, even absent donor restrictions on the use of gains. Commonwealth of Pennsylvania law permits the Seminary to adopt a spending policy for endowment earnings, subject to certain limitations. The Seminary follows the total return concept of endowment

**The Philadelphia Theological Seminary of St. Charles Borromeo**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

investment and spending. Under this concept, a prudent amount of appreciation earned on the investments may be spent in the event that the interest and dividends earned are insufficient to meet that period's spending rate. The Seminary's spending policy for both of the years ended June 30, 2024 and 2023 allowed for a 5% draw of the three-year average market value of the donor-restricted endowments, estates and trusts.

The Seminary had the following endowment activities during the years ended June 30, 2024 and 2023, delineated by net asset class. All endowment activities were donor restricted:

	2024		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets at June 30, 2023	\$ -	\$ 17,815,530	\$ 17,815,530
Investment return			
Net investment income	-	293,825	293,825
Net appreciation (realized and unrealized)	-	1,952,211	1,952,211
Total investment gain	-	2,246,036	2,246,036
Appropriation of endowment assets for expenditure	-	(847,915)	(847,915)
Endowment net assets at June 30, 2024	<u>\$ -</u>	<u>\$ 19,213,651</u>	<u>\$ 19,213,651</u>
	2023		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets at June 30, 2022	\$ -	\$ 16,779,282	\$ 16,779,282
Investment return			
Net investment income	-	251,274	251,274
Net appreciation (realized and unrealized)	-	1,611,305	1,611,305
Total investment gain	-	1,862,579	1,862,579
Appropriation of endowment assets for expenditure	-	(826,331)	(826,331)
Endowment net assets at June 30, 2023	<u>\$ -</u>	<u>\$ 17,815,530</u>	<u>\$ 17,815,530</u>

**NOTE J - EXPENSES BY BOTH NATURE AND FUNCTION**

Program expenses consist of instruction, academic support and student services. Supporting expenses consist of supporting compensation, operations and maintenance, fixed charges and miscellaneous costs.

**The Philadelphia Theological Seminary of St. Charles Borromeo**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

Functional expenses by natural classification as of June 30, 2024 and 2023:

	Program Services			Management and General			Total Expenses
	Instruction	Academic Support	Student Services	Operations and Maintenance	Institutional Support	Auxiliary Enterprises	
Salaries and benefits	\$ 1,474,632	\$ 1,463,223	\$ 672,808	\$ 57,612	\$ 1,251,248	\$ -	\$ 4,919,523
Professional services	21,300	2,551	50,552	1,267,009	1,972,173	796,701	4,110,286
Depreciation	-	-	-	335,157	-	-	335,157
Other	211,110	331,159	257,862	26,595	518,801	-	1,345,527
Repairs, maintenance, and utilities	26,650	57,841	17,651	1,011,165	50,034	-	1,163,341
<b>Total</b>	<b>\$ 1,733,692</b>	<b>\$ 1,854,774</b>	<b>\$ 998,873</b>	<b>\$ 2,697,538</b>	<b>\$ 3,792,256</b>	<b>\$ 796,701</b>	<b>\$ 11,873,834</b>

  

	Program Services			Management and General			Total Expenses
	Instruction	Academic Support	Student Services	Operations and Maintenance	Institutional Support	Auxiliary Enterprises	
Salaries and benefits	\$ 1,387,522	\$ 1,403,465	\$ 635,496	\$ 46,323	\$ 1,297,171	\$ -	\$ 4,769,977
Professional services	45,108	3,102	55,415	1,221,978	2,124,806	787,680	4,238,089
Depreciation	-	-	-	198,614	-	-	198,614
Other	246,501	250,786	214,401	2,516	515,175	-	1,229,379
Repairs, maintenance, and utilities	24,876	49,204	2,734	1,084,848	31,549	-	1,193,211
<b>Total</b>	<b>\$ 1,704,007</b>	<b>\$ 1,706,557</b>	<b>\$ 908,046</b>	<b>\$ 2,554,279</b>	<b>\$ 3,968,701</b>	<b>\$ 787,680</b>	<b>\$ 11,629,270</b>

**NOTE K - RELATED PARTIES**

The Seminary has agreements with several entities of the Archdiocese of Philadelphia for use of the Seminary's facilities. These arrangements are with the Vocations Office and Archbishop. The Seminary recorded revenue of \$21,088 and \$53,770 for the years ended June 30, 2024 and 2023, respectively, for monies received.

The Seminary remits payments for all insurance, except lay medical insurance, to the Archdiocese of Philadelphia, Office for Financial Services, which purchases insurance coverage for all Archdiocesan entities. Total expenses were \$943,157 and \$724,522 for the years ended June 30, 2024 and 2023, respectively.

The Seminary reimburses the Office for Financial Services for salaries and expenses incurred on behalf of the Seminary employees.

The Archdiocese of Philadelphia will reimburse diocesan priests who remain in good standing, incardinated in the Archdiocese of Philadelphia, under the Archdiocese of Philadelphia's Priest Student Loan Policy, for the full cost of student loans they may have taken for their education while attending the Seminary. Shortly after ordination, each newly ordained priest will receive from the Office of Clergy a petition by which he can request repayment by the Archdiocese of Philadelphia of student loans he may have taken for his education while attending the Seminary.

Under the Archdiocese of Philadelphia's Priest Student Loan Policy, priests are reimbursed for payments made toward student debt that was incurred for their studies at the Seminary. The reimbursements are contingent upon loan payments being made by the priest and are limited annually to a maximum repayment amount predetermined by the Archdiocese of Philadelphia. The Archdiocese of Philadelphia assumes no liability related to the outstanding balances on these loans until payment is made by the priests. Upon payment, the Archdiocese of Philadelphia assumes the full amount of the liability.

**The Philadelphia Theological Seminary of St. Charles Borromeo**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

During the years ended June 30, 2024 and 2023, the reimbursement totaled \$95,844 and \$87,180, respectively. As of June 30, 2024 and 2023, the potential Priest Student Loan balance outstanding totaled \$421,369 and \$448,845, respectively.

During the years ended June 30, 2024 and 2023, the reimbursement totaled \$95,844 and \$87,180, respectively. As of June 30, 2024 and 2023, the potential Priest Student Loan balance outstanding totaled \$421,369 and \$448,845, respectively.

During the year ended June 30, 2024, the Sunneytown and Evans Road Condominium Association (“Association”) was created to oversee common elements shared by the Seminary and Gwynedd Mercy University (including the loop road providing ingress and egress to both campuses as well as water and sewer lines). The Seminary holds a 25% interest in the Association while Gwynedd Mercy University holds the remaining 75%. The Condominium Association does not own any assets and its creditors have no recourse to either the University or the Seminary. During the year ended June 30, 2024, the Seminary recorded \$48,680 for Association related expenses.

The following list of related party transactions is provided to comply with the *Financial Responsibility, Administrative Capability, Certification Procedures, Ability to Benefit* regulation promulgated by the U.S. Department of Education for the years ended June 30, 2024 and 2023:

Related Party (2024)	Location	Nature of transaction	Revenue / (Expense)	Asset / (Liability)	Other
BOT A	Ambler, PA	Contribution	\$170	-	-
BOT B	Ambler, PA	Contribution	170	-	-
BOT C	Ambler, PA	Contribution	170	-	-
BOT D	Ambler, PA	Contribution	50	-	-
BOT E	Ambler, PA	Contribution	170	-	-
BOT F	Ambler, PA	Contribution	170	-	-
BOT G	Ambler, PA	Contribution	56,892	-	-
BOT H	Ambler, PA	Contribution	300	-	-
BOT I	Ambler, PA	Contribution	250	-	-
BOT J	Ambler, PA	Contribution	300	-	-
BOT K	Ambler, PA	Contribution	5,000	-	-
BOT L	Ambler, PA	Contribution	500	-	-
BOT M	Ambler, PA	Contribution	60	-	-
BOT N	Ambler, PA	Contribution	500	-	-
BOT O	Ambler, PA	Contribution	650	-	-
BOT P	Ambler, PA	Contribution	170	-	-
BOT Q	Ambler, PA	Contribution	250	-	-
BOT R	Ambler, PA	Contribution	250	-	-
BOT S	Ambler, PA	Contribution	900	-	-

The Philadelphia Theological Seminary of St. Charles Borromeo

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Related Party (2023)	Location	Nature of transaction	Revenue / (Expense)	Asset / (Liability)	Other
BOT A	Ambler, PA	Contribution	\$250	-	-
BOT B	Ambler, PA	Contribution	50	-	-
BOT C	Ambler, PA	Contribution	400	-	-
BOT D	Ambler, PA	Contribution	1,000	-	-
BOT E	Ambler, PA	Contribution	1,000	-	-
BOT F	Ambler, PA	Contribution	200	-	-
BOT G	Ambler, PA	Contribution	5,000	-	-
BOT H	Ambler, PA	Contribution	500	-	-
BOT I	Ambler, PA	Contribution	200	-	-
BOT J	Ambler, PA	Contribution	800	-	-
BOT K	Ambler, PA	Contribution	600	-	-
BOT L	Ambler, PA	Contribution	200	-	-
BOT M	Ambler, PA	Contribution	300	-	-
BOT N	Ambler, PA	Contribution	5,000	-	-
BOT O	Ambler, PA	Contribution	5,000	-	-
BOT P	Ambler, PA	Contribution	200	-	-
BOT Q	Ambler, PA	Contribution	500	-	-
BOT R	Ambler, PA	Contribution	200	-	-
BOT S	Ambler, PA	Contribution	200	-	-
BOT T	Ambler, PA	Contribution	5,000	-	-

**NOTE L - PENSION PLANS**

***Lay Employees' Retirement Plan - Frozen Effective June 30, 2014***

Through June 30, 2014, the eligible lay employees of the Seminary were covered under the Archdiocese of Philadelphia Lay Employees' Retirement Plan (the "Plan"), which is a defined benefit pension plan covering substantially all lay employees of the Archdiocese of Philadelphia, based on age and service requirements. The Plan is administered by the Trustees of the Plan. The Seminary made annual contributions to the Plan at a rate of 3.5% of the salaries of eligible employees for each of the years ended June 30, 2024 and 2023. The amount expensed by the Seminary for contributions to the Plan was \$70,179 and \$64,049 for the years ended June 30, 2024 and 2023, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

***Archdiocese of Philadelphia 403(b) Retirement Plan***

Effective July 1, 2014, the Archdiocese of Philadelphia established a 403(b) defined contribution plan. Under the 403(b) plan, and subject to statutory limits, all employees at least 18 years of age are immediately eligible to make voluntary deferred salary contributions into the 403(b) plan.

Employer contributions, which cover employees meeting the eligibility requirements below, are discretionary. The following are the eligibility requirements for the employer contributions:

*Grandfathered Employees* - Any employee who was accruing benefits as an active participant in the Plan as of its freeze date of June 30, 2014 is a grandfathered employee and is eligible to receive employer contributions beginning with the first payroll on or after September 1, 2014.

*Non-Grandfathered Employees* - Non-grandfathered employees are eligible to receive the employer contribution beginning with the first payroll coinciding with or immediately following the completion of 1,000 hours of service during the 18-month period beginning July 1, 2014 through December 31, 2015. The employee must also have attained at least 18 years of age to be eligible. For a non-grandfathered employee hired prior to July 1, 2014 who does not meet the eligibility requirements for an employer

**The Philadelphia Theological Seminary of St. Charles Borromeo**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

contribution in the time frame described above, the period for determining whether or not one meets the 1,000-hour service requirement shifted to the calendar year beginning January 1, 2016.

*Vesting* - Vesting in employer contributions to a 403(b) plan account was immediate for any grandfathered employee who has completed 12 months of service as of June 30, 2014. Vesting in employer contributions for all other employees will take place after the completion of 12 months of service.

The contributions by the Seminary into the 403(b) plan totaled \$92,657 and \$89,108 for the years ended June 30, 2024 and 2023, respectively.

***Archdiocese of Philadelphia Priests' Pension Plan***

In addition, the priests of the Seminary are covered under the Archdiocese of Philadelphia Priests' Pension Plan (the "Priest Plan"), which is a defined benefit pension plan that covers substantially all priests, once age requirements are met, of the Archdiocese of Philadelphia, its institutions and parishes. The contributions of the Seminary were \$41,299 and \$42,750 for the years ended June 30, 2024 and 2023, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

**NOTE M - COMMITMENTS AND CONTINGENCIES**

The Seminary may be involved in legal proceedings arising out of and incidental to its operations. In management's opinion, the ultimate liability which may arise from other legal proceedings are not deemed probable and would not have a material adverse effect on the financial statements of the Seminary.



**The Philadelphia Theological Seminary of St. Charles Borromeo**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2024 and 2023**

**NOTE N - LIQUIDITY AND FUNDS AVAILABLE**

The following table reflects the Seminary's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one-year, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for specific contingency reserve or a long-term investment as board-designated endowments. These board designations could be drawn upon if the board approves that action.

	June 30,	
	2024	2023
Financial assets		
Cash and cash equivalents	\$ 23,145,882	\$ 21,977,606
Accounts and other receivables, net	2,581,237	209,656
Investments	23,280,302	44,328,090
Beneficial interest in perpetual trusts and foundation	2,231,594	2,056,982
Financial assets at year end	51,239,015	68,572,334
Less those unavailable for general expenditure within one year, due to		
Designated by the board of trustees for construction of new Seminary	(9,902,573)	(29,993,979)
Restricted cash	(2,236,278)	(3,000,000)
Investments and perpetual trusts held by others and not convertible to cash within next 12 months	(25,511,896)	(25,336,293)
Financial assets available to meet cash needs for general expenditures within one year	\$ 13,588,268	\$ 10,242,062

**NOTE O - SUBSEQUENT EVENTS**

The Seminary has evaluated subsequent events through November 21, 2024, the date on which the financial statements were available for distribution, noting no items requiring accrual or disclosure in the financial statements, except as disclosed in Note A.

SUPPLEMENTARY INFORMATION

The Philadelphia Theological Seminary of St. Charles Borromeo

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

Year ended June 30, 2024

**Primary Reserve Ratio**

<b>Expendable net assets</b>		<b>Financial Statement Reference</b>
Net assets without donor restrictions	\$ 70,063,319	Statement of financial position
Net assets with donor restrictions	26,719,106	Statement of financial position
Less: net assets restricted in perpetuity	(20,979,425)	Note G
Less: property and equipment, net (pre-implementation)	-	Statement of financial position
Less: property and equipment, net (post-implementation)	(47,184,974)	Statement of financial position
Intangible assets	-	Not applicable
Unsecured related party receivable	-	Not applicable
Debt	-	Not applicable
	<hr/>	
Total expendable net assets	28,618,026	
<b>Total expenses and losses without donor restrictions</b>		
Expenses without donor restrictions	11,873,834	Statement of activities
Relocation expenses	1,413,617	Statement of activities
	<hr/>	
Total expenses	13,287,451	
	<hr/>	
<b>Primary Reserve Ratio</b>	<b>2.1538</b>	

**Equity Ratio**

<b>Modified net assets</b>		
Net assets without donor restrictions	\$ 70,063,319	Statement of financial position
Net assets with donor restrictions	26,719,106	Statement of financial position
Intangible assets	-	Not applicable
Unsecured related party receivable	-	Not applicable
	<hr/>	
Total modified net assets	96,782,425	
<b>Modified assets</b>		
Total assets	101,430,453	Statement of financial position
Intangible assets	-	Not applicable
Unsecured related party receivable	-	Not applicable
	<hr/>	
Total modified assets	101,430,453	
	<hr/>	
<b>Equity Ratio</b>	<b>0.9542</b>	

**Net Income Ratio**

Change in net assets without donor restrictions	\$ 8,504,131	Statement of activities
	<hr/>	
Total revenue and gains without donor restrictions	21,116,515	Statement of activities
	<hr/>	
<b>Net Income Ratio</b>	<b>0.4027</b>	

	<u>Ratio</u>	<u>Strength</u>	<u>Weight</u>	<u>Composite</u>
Primary reserve	2.1538	3	40%	1.2000
Equity	0.9542	3	40%	1.2000
Net income	0.4027	3	20%	0.6000
				<hr/>
<b>Financial Responsibility Composite Score (maximum of 3.0)</b>				<b>3.0</b>

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

The Board of Trustees  
The Philadelphia Theological Seminary of St. Charles Borromeo

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements The Philadelphia Theological Seminary of St. Charles Borromeo (the "Seminary"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2024.

### **Report on internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the Seminary's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Seminary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Seminary's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Seminary's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a significant deficiency in the Seminary's internal control.

**Report on compliance and other matters**

As part of obtaining reasonable assurance about whether the Seminary's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Seminary's response to findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Seminary's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Seminary's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Seminary's response.

**Purpose of this report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Seminary's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Seminary's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

Philadelphia, Pennsylvania  
November 21, 2024

The Philadelphia Theological Seminary of St. Charles Borromeo

SCHEDULE OF FINDINGS AND RESPONSES

Year ended June 30, 2024

Section I - Summary Of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  X  yes \_\_\_\_\_ None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes  X  No

Section II - Financial Statement Finding

2024-001: Segregation of Duties – Administrative Access to the General Ledger

**Criteria:** Access should be segregated for administering security to critical applications and systems to individuals not functionally responsible for financial transactions, reporting, or information technology ("IT") management.

**Condition:** Within the Financial Edge general ledger application there are two personnel (Director of Financial Services and Chief Financial Officer) outside of IT who retain administrator rights to the application. In addition, there is no implementation of a logging and review control.

**Cause:** The application does not have a native report to log activities, yet management has not implemented an additional logging tool to ensure that the users with the segregation of duties conflicts did not perform inappropriate actions. Additionally, a user access review for the Financial Edge general ledger application was not formally documented.

**Effect:** Individuals outside of the IT management function retain administrative access to the general ledger application which should be reserved to IT personnel.

**Recommendation:** We recommend segregating access for administering security to critical applications and systems to individuals not functionally responsible for financial transactions, reporting, or IT Management. While each department should be responsible for determining which application access rights each employee should be granted, responsibility for administering privileges should reside with IT staff and not with the functional business areas or oversight.

If segregating security administration duties is not a viable solution, we recommend, as an alternative, a regular review (e.g., monthly) of logs for application security changes (if available). This review should be performed by an individual independent of the user making the administrative change. Evidence of this review should be retained. Management may consider selecting an appropriate third-party log analyzer tool that will help filter event logs as deemed appropriate by management and escalate issues for additional IT personnel follow-up.

For user access reviews, we recommend implementing a process where users and their associated privileges within the application are reviewed on a periodic basis (at least once annually). This review should

**The Philadelphia Theological Seminary of St. Charles Borromeo**

**SCHEDULE OF FINDINGS AND RESPONSES**

**Year ended June 30, 2024**

be documented, including any approvals, follow-ups or changes in access, dated and retained. Where a reviewer is reviewing their own access, a secondary reviewer should be included in the process.

**Questioned Costs:** None.

**Management's Response:** Given the small size of the accounting department and the fact that the Seminary has no IT personnel, one individual must retain access. Semi-annually, the Director of Financial Services will review the users and rights in the application and will send to the CFO for approval. Documentation of the review will be retained going forward.