Financial Statements and Report of Independent Certified Public Accountants

The Philadelphia Theological Seminary of St. Charles Borromeo

June 30, 2023 and 2022

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2023 and 2022, 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, 2023 and 2022, 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"). 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, 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, 2023, 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 audits 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.

Grant Thornton LLP

Philadelphia, Pennsylvania
November 9, 2023

The Philadelphia Theological Seminary of St. Charles Borromeo

STATEMENTS OF FINANCIAL POSITION

June 30,

	2023	2022
ASSETS		
Cash and cash equivalents	$ 21,977,606	$ 18,481,178
Accounts receivable, students, net	48,971	96,619
Other receivables, net	160,685	139,527
Prepaid expenses and other assets	2,713,610	3,578,856
Investments	44,328,090	46,508,366
Property and equipment, net	17,265,323	1,430,696
Beneficial interest in perpetual trusts	1,631,663	1,499,867
Beneficial interest in foundation	425,319	406,689
Total assets	$ 88,551,267	$ 72,141,798
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 1,865,776	$ 896,351
Deferred revenue	302,828	177,966
Other liabilities	18,725	61,089
Charitable gift annuities payable	55,235	57,373
Total liabilities	2,242,564	1,192,779
Net assets		
Net assets without donor restrictions		
Undesignated	31,565,209	19,419,964
Board designated for construction of new Seminary	29,993,979	28,180,141
Net assets with donor restrictions	24,749,515	23,348,914
Total net assets	86,308,703	70,949,019
Total liabilities and net assets	$ 88,551,267	$ 72,141,798

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, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and other support			
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)	-
Total revenues and other support	26,543,381	1,400,601	27,943,982
Expenses			
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
Total expenses	11,629,270	-	11,629,270
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
Change in net assets	13,959,083	1,400,601	15,359,684
Net assets			
Beginning of year	47,600,105	23,348,914	70,949,019
End of year	$ 61,559,188	$ 24,749,515	$ 86,308,703

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, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and other support			
Tuition and fees, net	$ 3,135,744	$ (10,515)	$ 3,125,229
Government grants	245,692	-	245,692
Contributions	4,541,202	93,157	4,634,359
Contributed services	745,944	-	745,944
Investment return, net	(803,825)	(4,059,025)	(4,862,850)
Other income	559,154	8,741	567,895
Auxiliary enterprises			
Cafeteria	1,225,556	-	1,225,556
Dormitory	601,864	-	601,864
Change in charitable gift annuities	16,054	-	16,054
Net assets released from restrictions	2,193,676	(2,193,676)	-
Total revenues and other support	12,461,061	(6,161,318)	6,299,743
Expenses			
Program services			
Instruction	1,414,272	-	1,414,272
Academic support	1,773,999	-	1,773,999
Student services	769,814	-	769,814
Management and general			
Operations and maintenance	2,112,458	-	2,112,458
Institutional support	4,240,366	-	4,240,366
Auxiliary enterprises	798,692	-	798,692
Total expenses	11,109,601	-	11,109,601
Change in net assets before other items	1,351,460	(6,161,318)	(4,809,858)
Relocation expenses	(293,969)	-	(293,969)
Loss on write-off of beneficial interest in foundation	(1,108,816)	-	(1,108,816)
Gain on sale of artwork and rare books	275,423	-	275,423
Change in net assets	224,098	(6,161,318)	(5,937,220)
Net assets			
Beginning of year	47,376,007	29,510,232	76,886,239
End of year	$ 47,600,105	$ 23,348,914	$ 70,949,019

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,

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 15,359,684	$ (5,937,220)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	198,614	155,143
Loss on write-off of beneficial interest in foundation	-	1,108,816
Net (appreciation) depreciation in fair value of investments	(2,019,676)	7,797,115
Contributions to beneficial interest in perpetual trusts	(144,821)	(103,469)
Distributions from beneficial interest in perpetual trusts	32,080	34,082
Change in fair value of beneficial interest in perpetual trusts	(37,685)	504,355
Realized losses (gains) on investments	484,253	(2,571,892)
Gain on sale of artwork and rare books	(69,569)	(275,423)
Changes in operating assets and liabilities:		
Accounts receivable, students, net	47,648	35,503
Other receivables, net	(21,158)	(1,800)
Prepaid expenses and other assets	865,246	28,206
Accounts payable and accrued expenses	969,425	(50,962)
Deferred revenue	124,862	(136,608)
Other liabilities	(42,364)	(40,056)
Charitable gift annuities payable	(2,138)	(16,054)
Net cash provided by operating activities	15,744,401	529,736
Cash flows from investing activities:		
Purchases of property and equipment	(16,033,241)	(984,616)
Purchases and sales of investments, net	3,715,699	(6,821,107)
Sale of artwork and rare books	69,569	275,423
Net cash used in investing activities	(12,247,973)	(7,530,300)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,496,428	(7,000,564)
Cash and cash equivalents		
Beginning of year	18,481,178	25,481,742
End of year	$ 21,977,606	$ 18,481,178

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

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 that will allow the Seminary to relocate to Gwynedd Mercy University’s campus. The estimated time for the campus transition to be completed is approximately two to three years provided all conditions are met. 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 ability to offer programming consistent with their missions and core values. The $10,000,000 purchase price, funded entirely by proceeds from the sale of the Seminary’s Overbrook campus in 2019, will include 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, 2023, site work is substantially complete as well as the foundations of both the student life center and a new residence hall. The student life center will include a refectory, classrooms, library, and administrative offices. The Seminary plans to begin classes at this new site in fiscal year 2025.

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 will be 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.

- 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 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

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, 2023 and 2022, cash equivalents consisted principally of money market funds. The carrying amount approximates fair value.

Allowance for Doubtful Accounts

The allowance for doubtful accounts for 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 both June 30, 2023 and 2022, the Seminary recorded an allowance for doubtful accounts of $20,000.

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, 2023 and 2022.

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 method. For securities owned at the end of the year, the difference between the original cost and fair value represents unrealized gain (loss) on investments.

Beneficial Interest in Perpetual Trusts

The Seminary is the sole beneficiary of a perpetual charitable trust established by John Creahan and is a beneficiary of a share in the perpetual charitable trusts established by Jeremiah J. Harrigan, Anthony P. Falcone, Joseph L. Anderjko and the Moroney Family Trust. 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 $1,631,663 and $1,499,867 at June 30, 2023 and 2022, 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 $114,938 and $106,350 and Program Fund of $310,381 and $300,339 at June 30, 2023 and 2022, 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.

During the year ended June 30, 2022, the Seminary wrote off its beneficial interest in foundation related to the Sevick & Kuzmick Scholarship Fund, in the amount of $1,108,816 as the fund is the property of the outside foundation which has the ultimate authority and control over all property in the Scholarship Fund and therefore distributions from the Scholarship Fund are contingent until received by the Seminary.

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 3 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.

Charitable Gift Annuities Payable

The Seminary enters into gift annuities, whereby the Seminary receives assets that are recorded at fair value when received. The assets of $81,288 and $85,608 are included in investments at June 30, 2023 and 2022, 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, 2023 and 2022 is $55,235 and $57,373, respectively.

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 $705,500 and $682,868 for the years ended June 30, 2023 and 2022, 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 $72,235 and $79,826 were included in deferred revenue at June 30, 2023 and 2022.

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 determined which are based on amounts received from students have been 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.

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

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases*, which requires that most leased assets be recognized on the balance sheet as assets and liabilities for the rights and obligations created by these leases. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021. The Seminary evaluated the effect the adoption of this standard may have on the financial statements and determined that there is no material impact for the year ended June 30, 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

Investments held by Haverford Trust consist of certificates of deposit, corporate bonds and notes, and money market funds.

At June 30, 2023 and 2022, the Seminary held the following categories of investments:

	2023	2022
U.S. Treasuries	$ 365,963	$ -
Money market funds	5,083,445	1,488,946
Fixed income funds	9,971,719	14,078,511
Mutual funds	7,746,190	10,945,623
Catholic values equity fund	14,883,366	13,646,523
Catholic values fixed income fund	6,277,407	6,348,763
Total investments	$ 44,328,090	$ 46,508,366

NOTE D - FAIR VALUE MEASUREMENTS

FASB 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.

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, 2023:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Investments in SEI 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
Total investments	44,328,090	-	-	44,328,090
Beneficial interest in perpetual trusts	-	-	1,631,663	1,631,663
Beneficial interest in foundation	-	-	425,319	425,319
Total assets	$ 44,328,090	$ -	$ 2,056,981	$ 46,385,072

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, 2022:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Investments in SEI funds	$ 19,995,286	$ -	$ -	$ 19,995,286
Money market funds	1,488,946	-	-	1,488,946
Fixed income funds	14,078,511	-	-	14,078,511
Mutual funds	10,945,623	-	-	10,945,623
Total investments	46,508,366	-	-	46,508,366
Beneficial interest in perpetual trusts	-	-	1,499,867	1,499,867
Beneficial interest in foundation	-	-	406,689	406,689
Total assets	$ 46,508,366	$ -	$ 1,906,556	$ 48,414,922

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, 2023 and 2022:

	Beneficial Interest in Perpetual Trusts	Beneficial Interest in Foundation
Balance at June 30, 2021	$ 1,859,979	$ 1,590,361
Change in fair value of assets	(435,958)	(68,397)
Loss on write-off of beneficial interest in foundation	-	(1,108,816)
Contributions	91,494	11,975
Distributions	(15,648)	(18,434)
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

NOTE E - STUDENT & AUXILIARY REVENUES

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

	2023	2022
Tuition and fees	$ 3,722,760	$ 3,808,097
Less: scholarships	(705,500)	(682,868)
Net tuition and fees	$ 3,017,260	$ 3,125,229

NOTE F - PROPERTY AND EQUIPMENT, NET

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

	2023	2022
Building and building improvements	$ 8,266,054	$ 365,940
Land	2,250,000	-
Equipment	497,594	806,597
Construction in progress	6,888,920	1,032,265
	17,902,568	2,204,802
Less: accumulated depreciation	(637,245)	(774,106)
Property and equipment, net	$ 17,265,323	$ 1,430,696

Depreciation expense of $198,614 and $155,143 has been recorded in the statements of cash flows for the years ended June 30, 2023 and 2022, respectively.

NOTE G - NET ASSETS

Net assets with donor restrictions as to purpose or time are available for the following at June 30, 2023 and 2022:

	2023	2022
Student scholarships and student grants	$ 3,653,639	$ 3,731,460
Other related donor-restricted projects	1,225,864	931,616
Beneficial interest in foundation	425,319	406,689
	$ 5,304,822	$ 5,069,765

Net assets with donor restrictions that they be held in perpetuity at June 30, 2023 and 2022 are restricted as follows:

	2023	2022
Endowment funds to be held in perpetuity, primarily to support student scholarships	$ 17,813,030	$ 16,779,282
Beneficial interests in perpetual trusts	1,631,663	1,499,867
	$ 19,444,693	$ 18,279,149

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, 2023 and 2022 as follows:

	2023	2022
Purpose restrictions accomplished		
Catholic Life 2000	$ 293,223	$ 294,254
Scholarship fund	588,445	549,818
Estates and trusts	26,306	21,776
Krol Chair	114,402	108,130
Loss on write-off of beneficial interest in foundation	-	1,108,816
Expenses related to other projects	137,792	110,882
	$ 1,160,168	$ 2,193,676

NOTE I - ENDOWMENTS

The Seminary holds approximately 10 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 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 the years ended June 30, 2023 and 2022 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, 2023 and 2022, delineated by net asset class. All endowment activities were donor restricted:

	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	-	248,774	248,774
Net appreciation (realized and unrealized)	-	1,611,305	1,611,305
Total investment gain	-	1,860,079	1,860,079
Appropriation of endowment assets for expenditure	-	(826,331)	(826,331)
Endowment net assets at June 30, 2023	$ -	$ 17,813,030	$ 17,813,030

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets at June 30, 2021	$ -	$ 20,653,494	$ 20,653,494
Investment return			
Net investment income	-	228,870	228,870
Net depreciation (realized and unrealized)	-	(3,313,929)	(3,313,929)
Total investment return	-	(3,085,059)	(3,085,059)
Appropriation of endowment assets for expenditure	-	(789,153)	(789,153)
Endowment net assets at June 30, 2022	$ -	$ 16,779,282	$ 16,779,282

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.

Functional expenses by natural classification as of June 30, 2023 and 2022:

	Program Services			Management and General			
	Instruction	Academic Support	Student Services	Operations and Maintenance	Institutional Support	Auxiliary Enterprises	Total Expenses 2023
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
Total	$ 1,704,007	$ 1,706,557	$ 908,046	$ 2,554,279	$ 3,968,701	$ 787,680	$ 11,629,270

	Program Services			Management and General			
	Instruction	Academic Support	Student Services	Operations and Maintenance	Institutional Support	Auxiliary Enterprises	Total Expenses 2022
Salaries and benefits	$ 1,226,321	$ 1,445,417	$ 571,372	$ 39,227	$ 1,319,931	$ -	$ 4,602,268
Professional services	31,347	31,646	75,871	1,193,354	2,102,078	798,692	4,232,988
Depreciation	-	-	-	155,143	-	-	155,143
Other	138,698	245,074	120,493	815	762,465	-	1,271,545
Repairs, maintenance, and utilities	17,906	51,862	2,078	723,919	55,892	-	851,657
Total	$ 1,414,272	$ 1,773,999	$ 769,814	$ 2,112,458	$ 4,240,366	$ 798,692	$ 11,109,601

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 $53,770 and $55,225 for the years ended June 30, 2023 and 2022, 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 $724,522 and $621,203 for the years ended June 30, 2023 and 2022, 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 liability. The reimbursement cost is split evenly between the Archdiocese of Philadelphia and the Seminary. During the years ended June 30, 2023 and 2022, the combined reimbursement totaled $87,180 and $113,888, respectively. As of June 30, 2023 and 2022, the potential Priest Student Loan balance outstanding totaled $448,845 and $523,601, respectively. The Seminary's accounts payable and accrued expenses include one-half of the Priest Student Loan balance at June 30, 2023 and 2022.

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 4% of the salaries of eligible employees for each of the years ended June 30, 2023 and 2022. The amount expensed by the Seminary for contributions to the Plan was $64,049 and $107,761 for the years ended June 30, 2023 and 2022, 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 will be 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 contribution in the time frame described above, the period for determining whether or not one meets the 1,000-hour service requirement will shift to the calendar year beginning January 1, 2016.

Vesting - Vesting in employer contributions to a 403(b) plan account will be 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 $89,108 and $96,435 for the years ended June 30, 2023 and 2022, 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 $42,750 and $36,400 for the years ended June 30, 2023 and 2022, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

NOTE M - OTHER INCOME

Other income recognized by the Seminary is comprised of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Fees for service	$ 42,090	$ 27,450
Third-party trust income	63,703	62,808
Institutional assistance grant	2,656	1,876
Miscellaneous income	50,973	42,201
Third-party grant income	15,056	50,000
Interest income	173,770	4,919
Rental of facilities	53,770	55,225
Permanent diaconate income	88,459	81,359
Rector's/Archdiocesan discretionary fund	111,000	-
Spanish Mission income	48,183	-
Vocations office income	251,151	242,057
	$ 900,811	$ 567,895

NOTE N - 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.

NOTE O - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Seminary's financial assets as of June 30, 2023 and 2022, 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,	
	2023	2022
Financial assets:		
Cash and cash equivalents	$ 21,977,606	$ 18,481,178
Accounts and other receivables, net	209,656	236,146
Investments	44,328,090	46,508,366
Beneficial interest in perpetual trusts and foundation	2,056,982	1,906,556
Financial assets at year end	68,572,334	67,132,246
Less those unavailable for general expenditure within one year, due to:		
Designated by the board of trustees for construction of new Seminary	(29,993,979)	(28,180,141)
Investments and perpetual trusts held by others and not convertible to cash within next 12 months	(25,336,293)	(24,998,170)
Financial assets available to meet cash needs for general expenditures within one year	$ 13,242,062	$ 13,953,935

NOTE P - SUBSEQUENT EVENTS

The Seminary has evaluated subsequent events through November 9, 2023, the date on which the financial statements were available for distribution, noting no items requiring accrual or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

The Philadelphia Theological Seminary of St. Charles Borromeo

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

Year ended June 30, 2023

Primary Reserve Ratio	
Expendable net assets	
Net assets without donor restrictions	$ 61,559,188
Net assets with donor restrictions	24,749,515
Less: net assets restricted in perpetuity (Note G)	(19,444,693)
Less: property and equipment, net	(17,265,323)
Total expendable net assets	49,598,687
Total expenses	
Expenses without donor restrictions	11,629,270
Relocation expenses	1,024,597
Total expenses	12,653,867
Primary Reserve Ratio	**3.9196**
Equity Ratio	
Modified net assets	
Net assets without donor restrictions	$ 61,559,188
Net assets with donor restrictions	24,749,515
Total modified net assets	86,308,703
Modified assets	
Total assets	88,551,267
Total modified assets	88,551,267
Equity Ratio	**0.9747**
Net Income Ratio	
Change in net assets without donor restrictions	$ 13,959,083
Total revenue without donor restrictions (less: net assets released from restrictions)	$ 25,383,213
Net Income Ratio	**0.5499**

	Ratio	Strength	Weight	Composite
Primary reserve	3.9196	3.0000	40%	1.2000
Equity	0.9747	3.0000	40%	1.2000
Net income	0.5499	3.0000	20%	0.6000
Financial Responsibility Composite Score (maximum of 3.0)				**3.0**