Making the Grade: Financial Indicators of Catholic Colleges and Universities

Catholic colleges and universities enjoy a history of being innovative and resilient in the face of challenge. Today, as colleges and universities are facing increased public scrutiny and fiscal pressure, that experience serves them well – particularly in helping them be responsible stewards of finances. Research finds college presidents spend a great deal of their time fundraising, addressing enrollment management, and dealing with other financial issues. This brief overview explores two financial indicator rankings of Catholic institutions.

Understanding the financial status of a college or university is not a simple task. A host of variables can be used to calculate financial scores, including institutional income, expenses, endowment, deferred maintenance costs, enrollment, tuition dependence, and more. Almost every year, Forbes magazine looks at such factors and calculates “financial grades” for private, not-for-profit institutions with at least 500 students. The grades are intended to measure financial health. A total of 172 Catholic institutions were included in the 2017 rankings, the most up-to-date measure. The average grade across Catholic institutions was a 2.16, or a C grade (see Figure 1).

Forbes’ financial grades are derived from various factors indicative of a college’s financial condition, including core operating margin, percent of freshmen receiving institutional grants, and instruction expenses per student. Another indicator, the U.S. Department of Education Financial Responsibility Composite Scores, is designed to reflect the financial health and responsibility of an institution. Derived from an institution’s audited financial statements, the annual scores are reported along a scale from negative 1.0 to positive 3.0. The Department explains that a score greater than or equal to 1.5 indicates the institution is considered financially responsible. On this scale, institutions with limited financial capital that are financially responsible may receive a high score.

Key Takeaways

- More than 85 percent of Catholic colleges and universities received a grade of C or above in Forbes’ most recent measure of financial health.
- The U.S. Department of Education considers 95 percent of Catholic colleges and universities to be financially responsible.
- The average endowment for Catholic institutions in 2015–16 was about $142 million — less than half the average for all private colleges and universities in the United States.

1 See, for instance, the 2017 American College President Survey conducted by the American Council on Education.
Institutional scores are divided into three categories: less than 1.0 (not financially responsible), 1.0-1.49 (financially responsible, but require oversight), and 1.5-3.0 (financially responsible). The most recent report (academic year 2015-16) includes scores for 194 Catholic colleges and universities, with 95 percent of them receiving a score of 1.5 or above (see Figure 2).

As both these assessment systems indicate, the vast majority of Catholic institutions are financially responsible, even those with few financial resources. The average value of endowment assets for Catholic colleges and universities in 2015–16 was about $142 million — less than half the average endowment for all private, not-for-profit institutions ($290 million). Thus, while Catholic institutions may not enjoy the same level of capital as other institutions, they are clearly working to be careful stewards of those resources.

The ASSOCIATION OF CATHOLIC COLLEGES AND UNIVERSITIES, founded in 1899, serves as the collective voice of U.S. Catholic higher education. Through programs and services, the association strengthens and promotes the Catholic identity and mission of its member institutions so that all associated with Catholic higher education can contribute to the greater good of the world and the Church. Find more information at www.accunet.org.