



Archdiocesan finances inching closer to the black

By Lou Baldwin

Just-released audited financial statements issued by the Archdiocese of Philadelphia's Office for Financial Services for the fiscal year (FY) ending June 30, 2015 show continued improvement, although still not yet in the black.

The most dramatic figure is a core operating deficit (which excludes non-recurring items) of \$0.7 million in FY 2015 versus \$17.6 million in FY 2012, \$4.9 million in FY 2013 and \$2.3 in FY 2014. What makes that especially noteworthy is at the time of the FY 2014 report it was estimated the FY 2015 operating deficit would increase, not decrease.

The reported operating result, which was a deficit of \$743,982 last year and a deficit of \$39.2 million in 2012 is reported in the plus column at \$13.3 million for FY 2015.

"Our core operating deficit continues to improve and it's gratifying to have more stability and predictability in our results," said Timothy O'Shaughnessy, the archdiocese's Chief Financial Officer. "Our 2015 result is probably better than we are realistically able to sustain."

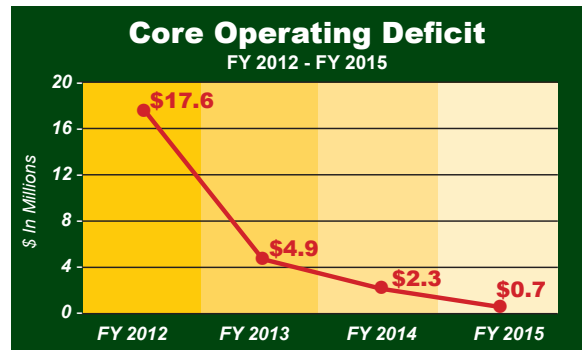
The deficit may increase slightly in the future, he said, due to higher seminary enrollment and increased pension costs. But O'Shaughnessy said he hoped it "won't be worse than \$1 (million) to \$1.5 million."

One reason why next year's result may not be as encouraging as this year's is because "the number of Philadelphia seminarians is much higher this year and we pay tuition for our seminarians."

St. Charles Borromeo Seminary welcomed 20 new seminarians studying for the Philadelphia Archdiocese this year; the previous year saw six new men entering priestly formation.

"That's a terrific development obviously," O'Shaughnessy said, "but it has an impact on our financial result that we are happy to pay for."

The archdiocese pays the full annual cost of \$34,925 (including tuition, room, board and fees) for seminarians in the Theology Division and Spirituality Year. It also pays all but \$9,400 of the \$32,975 annual cost for men in the College Division and Pre-Theology, the smaller figure representing the amount a seminarian may obtain in tuition assistance grants or for which his family would be responsible to pay per year.



The financial statements, audited by the accounting firm Grant Thornton, report on the Office for Financial Services, the central office managing most of the archdiocese's finances. They do not cover financial results for the Office for Catholic Education, Catholic Health Care Services and other entities. Parishes also are not included because they are distinct entities separate from

the archdiocese.

The Deposit and Loan Fund, through which parishes receive interest from deposit of funds that are in turn loaned to other parishes, was underfunded by \$82 million in FY 2012. This has been reduced to \$42.6 million as of June 30, 2015, and it is expected to be completely eliminated through application of funds from the Oct. 30 sale of Mary Immaculate Center in Northampton and pending sales of several other properties.

They include the former Don Guanella Village site on Sproul Road in Marple Township, Delaware County; a property that at one time was earmarked for a new archdiocesan high school in Hilltown, Montgomery County; and a property near St. Martha Manor on Manor Road in Downingtown, Chester County.

According to a supplemental narrative document released by the archdiocese along with the audited financial statements, proceeds from the sales of the properties should be "in the \$35-40 million range."

The priests' retirement plans, which were virtually unfunded in FY 2012, now have \$82 million in available assets, just \$25 million short of the estimated liability. The swing is attributed mainly through funds allocated from the lease of the archdiocesan cemeteries and the sale of the archdiocesan nursing homes.

Currently every parish, ministry or archdiocesan office with an assigned archdiocesan priest is charged \$11,700 per active priest for his retirement obligations. O'Shaughnessy said, "I am hopeful that we will be able to lower this (charge) slightly."

The Risk Insurance Fund, which was underfunded by \$30.4 million in FY 2012, is now fully funded.

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The single most unresolved balance sheet shortfall is that of the Lay Employees Retirement Plan (LERP), which was a defined benefit plan. It was frozen in 2014 when a 403(b) defined contribution plan was established for current employees.

Although some employees near retirement opted to take a buyout from the LERP, many employees and retirees will receive future pension benefits based on earnings prior to June 30, 2014.

At the time of the recent audit, assets available for LERP benefits are approximately \$477 million, which is approximately \$162 million short of the estimated \$639 million needed for

full funding based on the current actuarial valuation. While the available funds will certainly cover pensions well into the future, the shortfall will have to be addressed ultimately.

Toward this goal, \$7.5 million from the nursing homes transaction was allocated to the LERP shortly after the completion of the audit.

“We are facing our pension challenges head on and will continue to do so,” O’Shaughnessy said. “We will need to increase our funding going forward and we also need to consider using proceeds from future real estate transactions for this obligation.”

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Archbishop’s Lecture Series continues at seminary

Archbishop Charles Chaput recently invited everyone to attend the talks in the Archbishop’s Lecture Series held at St. Charles Borromeo Seminary’s Vianney Hall Auditorium. The lectures, which run from 7 to 9 p.m., are free and open to the public.

“As with any other family,” the archbishop wrote in a column on CatholicPhilly.com, “life in a local Church goes on, even after a wonderful visit from the Pope and an important world synod of bishops. For most Catholics, faith is learned and lived at the parish level. The diocese exists as a link to the wider Church, as a source of guidance and help, and to provide services and opportunities for spiritual enrichment less easily had at the parish level.

“One of those services is the annual Archbishop’s Lecture Series, ably staffed by Meghan Cokeley.

“The Catholic faith is meant to be lived, and to help us do that well, God invites us to constantly deepen our fellowship with other believers, our knowledge of Scripture, Christian culture and history, and the teach-

ing of the Church. This year’s lecture series is a great tool to achieve those things. I hope to see you there,” the archbishop wrote.

The full schedule includes:

Monday, Dec. 7

Speaker: Professor Michael Hanby, Pontifical John Paul II Institute for Studies on Marriage and the Family

Topic: “The Truth Will Set You Free: Liberal Order and the Future of Christian Freedom”

Thursday, February 11, 2016

Speaker: Professor Melissa Moschella, The Catholic University of America

Topic: “Living as a Christian Family in a Culture of Unbelief”

Monday, March 7, 2016

Speaker: Professor Anthony Esolen, Providence College

Topic: “Themes from Life Under Compulsion: Ten Ways to Destroy the Humanity of Your Child”

Respect life day draws 380 teenagers for talks at seminary

The annual High School Respect Life Leadership Day drew some

380 students from 14 Catholic high schools in the Philadelphia Archdiocese Nov. 12 at St. Charles Borromeo Seminary.

Officials from the archdiocesan Office for Life and Family, sponsor of the long-running perennial event, said it was the largest in its history, far surpassing the 250 attendees on average in past years.

The day featured lunch, breakout talks and two sessions, from 9 a.m. to 1:30 p.m., in which students heard speakers from the Culture Project, a group of dynamic Catholic young adults, and a talk by Michele Hendrickson of Students for Life.

The theme for the day was “Embracing the pro-life message: It’s OK to stand up for what is right ... even when it’s not popular!”

Because of the large and growing number of teenage participants, next year’s event might move to a larger location.

To encourage more participants, the Office of Catholic Education helped where needed with financial assistance for the \$15 per person fee and transportation costs.

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