



**Narrative Accompaniment to Heritage of Faith~Vision of Hope
Audited Financial Statements for Fiscal Year Ended June 30, 2018**

The *Heritage of Faith ~ Vision of Hope* (HOF~VOH) campaign was undertaken to meet the challenges of the Church in Philadelphia. The HOF~VOH campaign raised money for specific capital and endowment needs to fortify key programs within the Archdiocese. The HOF~VOH campaign's goals and priorities were: to provide additional financial support to parishes; to ensure access to a high-quality Catholic education; to restore the Cathedral Basilica of Saints Peter and Paul; to invest in faith formation and campus infrastructure at St. Charles Borromeo Seminary; to care for retired clergy; and to minister to the needy in our region by providing vital human services.

The purpose of this narrative is to provide an update on the overall results of the campaign and also to reconcile those results to the recently published audited financial statements.

The campaign began in 2008 with a goal of raising over \$200 million. As of June 30, 2018, the campaign reported more than 50,000 pledges and gifts totaling \$222.8 million. The \$222.8 million in gifts and pledges reported includes \$36.5 million of pledges made to 18 parishes for parish specific campaigns- unrelated to the HOF~VOH campaign- conducted concurrently with the HOF~VOH campaign ("combined campaigns"). It is important to note that the goal of \$200 million did not contemplate the existence of combined campaigns. While combined campaigns, which total \$36.5 million, were added to the overall HOF~VOH campaign total, the campaign goal of \$200 million was not increased to account for and reflect the increase from the addition of the combined campaigns. Adding combined campaign totals but not increasing the HOF~VOH goal, gave the appearance that the HOF~VOH campaign exceeded the initially established goal. After taking into account the \$36.5 million from combined campaigns, the adjusted amount pledged to the HOF~VOH campaign was \$186.3 million.

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| Total HOF~VOH Campaign Pledges and Gifts Reported | \$222.8 |
| Less: Amount Attributable to 18 Parish Level Campaigns | <u>(36.5)</u> |
| Total Pledges and Gifts - net of Parish Level Campaigns | <u><u>\$186.3</u></u> |

To reconcile to the audited financial statements, the \$186.3 million needs to be reduced by \$6.9 million of planned gifts included in the total. In accordance with generally accepted accounting principles, these planned gifts are not recorded in the financial statements because the ultimate receipt is not guaranteed. The donor maintains the right to alter the bequest amount, beneficiary designations, and/or percentages of assets bequeathed. Consequently, these planned gifts are excluded from the financial statements. Through June 30, 2018, pledges totaling \$53.7 million were determined to be uncollectible and these amounts have been written-off. These write-offs were largely a result of contact from donors informing us that they would not be fulfilling their pledge, or if no payment had been received since June 30, 2014. In addition to the write-offs, an allowance for doubtful pledges of approximately \$0.6 million exists as of June 30, 2018. This allowance was determined after a detailed review of the remaining pledges outstanding and the related collection trends thereon. After consideration of the allowance and write-offs, \$125.1 million is available to collect.

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| Total Pledges and Gifts – net of Parish Level Campaigns | \$186.3 |
| Less: Planned Gifts | (6.9) |
| Write-offs | (53.7) |
| Allowance for Doubtful Accounts | <u>(0.6)</u> |
| Total Pledges and Gifts Available to Collect | <u><u>\$125.1</u></u> |

The \$125.1 million is comprised of \$124.0 million of cash collected and \$1.1 million in net pledges receivable as of June 30, 2018.

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|--|-----------------------|
| Pledges and Gifts Collected from Donors through June 30, 2018 | \$124.0 |
| Pledges Receivable, Net of Allowance at June 30, 2018 | <u>1.1</u> |
| | <u><u>\$125.1</u></u> |

Allocation of Pledges & Gifts Collected since Inception of Campaign through June 30, 2018

The \$124.0 million of cash collected was first allocated to specific parish priorities. Each parish managed to a specific goal for the campaign. All funds raised from parishioners were credited towards the parish goal. Generally, the first 35% of each dollar received was credited to the parishes. At the beginning of the campaign, lead gifts were solicited in a quiet phase. During this quiet phase, 20% of funds raised were returned to the parish of the lead gift donor. There are also instances where a parish has exceeded its goal. In those cases, the parishes receive 65% of all funds raised in excess of the parish specific goal. The total amount allocated to the parishes through June 30, 2018 was \$36.4 million. The remaining \$87.6 million is available to fund the campaign expenses and to allocate to the other Archdiocesan priorities of the campaign. Campaign expenses totaled \$17.3 million through June 30, 2018, including approximately \$8.8 million paid to an external consultant for feasibility and planning studies, campaign planning and execution, and development office support and administration.

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| Pledges and Gifts Collected from Donors through June 30, 2018 | \$124.0 |
| Less: Amounts Allocated to Parishes through June 30, 2018 | (36.4) |
| Campaign Expenses | <u>(17.3)</u> |
| Funds Available to Allocate to Remaining Archdiocesan Beneficiaries | <u><u>\$ 70.3</u></u> |

The funds remaining, after the allocation to parishes and the payment of campaign expenses, to be allocated to the other beneficiaries of the campaign were \$70.3 million. Included in the \$70.3 million, was \$7.6 million of gifts restricted for a specific purpose by the donors. These restricted gifts were allocated to the campaign priorities in accordance with the donors' intentions. The remaining \$62.7 million was allocated pro-rata to all of the beneficiaries/priorities as outlined in the case statement developed at the commencement of the campaign. The allocations and distributions thereon as of June 30, 2018 were as follows:

| | Archdiocesan Goals as Stated in the Campaign Case Statement (in millions) | % | Allocation of Funds Available as of June 30, 2018 (in millions) | Investment Earnings/ (Distributions to Beneficiaries) (in millions) | Balance Remaining at June 30, 2018 for Archdiocesan Goals (in millions) |
|--|---|--------------------|---|--|---|
| <u>Endowment Funds</u> | | | | | |
| - Inter-Parochial Cooperation Commission (Parishes Requiring Annual Subsidy) | \$ 10.0 | 7.7% | \$ 5.4 | \$ 0.6 | \$ 6.0 |
| - Elementary School Tuition Assistance Endowment | 18.0 | 13.8% | 10.6 | \$ 0.3 | 10.9 |
| - Special Education Tuition Assistance Endowment | 2.0 | 1.5% | 1.1 | \$ 0.1 | 1.2 |
| - Endowment for Philadelphia Seminarians (St. Charles Borromeo Seminary - Scholarship) | 5.0 | 3.8% | 2.8 | \$ 0.3 | 3.1 |
| - Catholic Human Services: | | | | | |
| St. John Neumann Place Social Worker | 0.8 | 0.6% | 0.4 | \$ 0.1 | 0.5 |
| Kensington Area Naturally Occurring Retirement Community Staff | 1.0 | 0.8% | 0.5 | \$ 0.1 | 0.6 |
| Nutritional Development Services Community Food Program | 0.5 | 0.4% | 0.3 | - | 0.3 |
| | <u>\$ 37.3</u> | <u>28.6%</u> | | | |
| <u>Other Funds:</u> | | | | | |
| - Clergy Retirement - Priest's Pension Plan Fund | 12.0 | 9.2% | 6.1 | \$ (6.0) | 0.1 |
| - Cathedral Basilica Preservation Fund | 5.0 | 3.8% | 2.4 | - | 2.4 |
| - Philadelphia Seminarians - Hispanic Ministry Training Fund | 1.0 | 0.8% | 0.6 | \$ (0.1) | 0.5 |
| | <u>\$ 18.0</u> | <u>13.8%</u> | | | |
| <u>Operation or Capital Priorities:</u> | | | | | |
| - Catholic Education (High School Building Fund) | 30.0 | 23.1% | 16.6 | \$ (11.0) | 5.6 |
| - Cathedral Basilica Restoration and Renovation Fund | 20.0 | 15.4% | 9.9 | \$ (7.6) | 2.3 |
| - St. Charles Borromeo Seminary (Infrastructure Fund) | 10.0 | 7.7% | 5.6 | \$ (1.7) | 3.9 |
| - St. Charles Borromeo Seminary (St. Martin's Chapel Renovation Fund) | 4.0 | 3.1% | 2.3 | - | 2.3 |
| - Clergy Retirement (Villa St. Joseph Improvement Fund) | 3.0 | 2.3% | 1.5 | \$ (1.5) | 0.0 |
| - Catholic Human Services (Funds for Catholic Health Care for CSS) | 7.7 | 6.0% | 4.2 | \$ (4.1) | 0.1 |
| | <u>\$ 74.7</u> | <u>57.6%</u> | <u>\$ 70.3</u> | <u>\$ (30.5)</u> | <u>\$ 39.8</u> |
| Total Goal (excluding \$70 million for local parish needs) | <u><u>\$ 130.0</u></u> | <u><u>100%</u></u> | | | |

Reconciliation to Audited Financial Statements at June 30, 2018

The following reconciliation shows that the cash and investments per the audited financial statements at June 30, 2018 are sufficient to meet the obligations to the Archdiocesan beneficiaries of \$39.8 million, and the \$7.0 million due to parishes.

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|-------------------------------------|---------------|
| Cash & Cash Equivalents | \$24.8 |
| Investments | <u>22.0</u> |
| | <u>\$46.8</u> |
| | |
| Archdiocesan Goals | \$39.8 |
| Due to Archdiocesan Parishes | <u>7.0</u> |
| | <u>\$46.8</u> |

As the net Pledges Receivable balance of \$1.1 million, as reflected in the audited financial statements at June 30, 2018, is collected, the funds received will be allocated in a manner consistent with the approach discussed earlier in this narrative.