

CALLED TO SERVE AS CHRIST CAMPAIGN FUND

FINANCIAL REPORT

JUNE 30, 2019

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION.....	2
STATEMENT OF ACTIVITIES	3
STATEMENT OF FUNCTIONAL EXPENSES	4
STATEMENT OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS	6 - 10

INDEPENDENT AUDITORS' REPORT

Most Reverend Paul D. Etienne
Roman Catholic Archbishop of Seattle
and the Board of Directors
Called to Serve as Christ Campaign Fund
Seattle, Washington

We have audited the accompanying financial statements of Called to Serve as Christ Campaign Fund, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the period from November 6, 2017 (inception), to June 30, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Called to Serve as Christ Campaign as of June 30, 2019, and the changes in its net assets and its cash flows for the period from November 6, 2017 (inception), to June 30, 2019, in accordance with accounting principles generally accepted in the United States.

Peterson Sullivan LLP

October 14, 2019

CALLED TO SERVE AS CHRIST CAMPAIGN FUND

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,644,000
Contributions receivable	9,180,000
Other receivables	<u>22,000</u>
Total current assets	10,846,000
Contributions Receivable, net of current portion	<u>9,059,000</u>
Total assets	<u><u>\$ 19,905,000</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Beneficiaries payable	\$ 1,151,000
Accounts payable	<u>214,000</u>
Total current liabilities	1,365,000
Net Assets	
Without donor restrictions	301,000
With donor restrictions	<u>18,239,000</u>
Total net assets	<u>18,540,000</u>
Total liabilities and net assets	<u><u>\$ 19,905,000</u></u>

See Notes to Financial Statements

CALLED TO SERVE AS CHRIST CAMPAIGN FUND

STATEMENT OF ACTIVITIES

For the Period from November 6, 2017 (Inception), to June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 13,931,000	\$ 18,239,000	\$ 32,170,000
In-kind contributions	30,000		30,000
	<hr/>	<hr/>	<hr/>
Total revenue and support	13,961,000	18,239,000	32,200,000
Functional Expenses			
Program services	9,985,000		9,985,000
Management and general	30,000		30,000
Fundraising	3,645,000		3,645,000
	<hr/>	<hr/>	<hr/>
Total functional expenses	13,660,000		13,660,000
	<hr/>	<hr/>	<hr/>
Change in net assets	301,000	18,239,000	18,540,000
Net Assets, November 6, 2017 (inception)			
	<hr/>	<hr/>	<hr/>
Net Assets, end of period	<u>\$ 301,000</u>	<u>\$ 18,239,000</u>	<u>\$ 18,540,000</u>

See Notes to Financial Statements

CALLED TO SERVE AS CHRIST CAMPAIGN FUND

STATEMENT OF FUNCTIONAL EXPENSES

For the Period from November 6, 2017 (Inception), to June 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Beneficiary grants				
Priest pension plan	\$ 4,028,000	\$ -	\$ -	\$ 4,028,000
Women religious	2,473,000			2,473,000
Parish share	1,849,000			1,849,000
Clergy medical plan	1,512,000			1,512,000
Priest orders	123,000			123,000
Professional fees		30,000	2,658,000	2,688,000
Printing and publication			510,000	510,000
Salaries and related expense			271,000	271,000
Travel			112,000	112,000
Meetings			57,000	57,000
Postage and shipping			25,000	25,000
Other expense			12,000	12,000
Total functional expenses	<u>\$ 9,985,000</u>	<u>\$ 30,000</u>	<u>\$ 3,645,000</u>	<u>\$ 13,660,000</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization

Called to Serve as Christ Campaign Fund ("Called to Serve" or "CTSC") is a not-for-profit corporation that was initiated to provide long-term funding for the retirement and medical needs of priests and women religious and to support individual parishes. The Archbishop of Seattle is the sole member and appoints Called to Serve's Board of Directors.

The objective of the campaign is to raise \$100 million. The campaign has been structured with a goal established for each parish based on a percentage of their ordinary giving income over a three-year historical timeframe. The campaign is being run in four parish waves. The first two waves of the campaign have already been conducted, and the third wave of the campaign is being conducted during the second half of the 2019 calendar year; the final wave of the campaign will occur during the second half of the 2020 calendar year. Donors make pledges that typically range from three to five years. Payments are then made against those pledges. As money is received each quarter, the Board of Directors meets quarterly to approve distributions to the beneficial recipients after expenses are paid and any reserves are determined.

	Parishes Served by Archdiocesan Priests	Parishes Served by Ordered Priests
Allocations for:		
Priest pension plan	40.0%	20.0%
Clergy medical plan	15.0	7.5
Women religious	24.0	24.0
Parish share*	15.0	15.0
Priest orders**	0.0	27.5
Fundraising expense	6.0	6.0
Total	100.0%	100.0%

* Once a parish achieves the goal, on a cash basis, they receive 85% share

** Priest orders receive one-half the allocation for priest pension and medical

Priest Retirement and Medical Needs

The Archdiocese of Seattle has a canonical responsibility to provide senior priests with a pension and medical benefits. The present "pay-as-you-go" model for the priest pension and medical plans was sustainable when there was a large number of active priests paying into the plan and a relatively small number of those receiving benefits. Now, with the shortage of priests in active ministry and a large and growing number of retired priests, the " pay-as-you-go" model in no longer sustainable. Called to Serve will use funds from this campaign to build up the priest pension and medical plans and fund them for the foreseeable future.

Support for Women Religious

The Archdiocese of Seattle celebrates a rich history supported by women religious in many ministries. From schools to hospitals, stretching from the Columbia River to the Canadian border, the positive impact and reach of their work is undeniable. Aiding the sisters' pension and healthcare needs will allow them to continue their ministries, sharing God's love and presence with others.

Parish Share

Parishes are the cornerstones and gathering places for the faith community. To follow the example of Jesus, the Archdiocese must support its parishes in their mission to serve parishioners in their daily lives. As part of the campaign, 15% of the funds raised by each parish will be retained for local needs. Each parish has a goal, and if they exceed their goal, 85% of that excess then goes to the parish.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Financial Statement Presentation

Called to Serve reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Current donor-imposed restrictions are temporary in nature and will be met by the passage of time. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the campaign considers cash in checking and savings accounts to be cash and cash equivalents.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at fair value, which is measured at the present value of the future cash flows. The discount is computed using risk-adjusted interest rates applicable to the years in which the pledges are received. The discount rate used during the period ended June 30, 2019, was 3%. Amortization of the discount is included in contributions revenue in the statement of activities.

Revenue Recognition

Contributions and bequests received are recorded as with or without donor-imposed restrictions, depending on the existence and/or nature of any donor restrictions. Contributions and bequests with donor-imposed restrictions are then reclassified to net assets without restrictions when the restrictions are met. If a restriction is met in the period the contribution is received, the contribution is recorded under net assets without donor restrictions.

Contribution revenues are recognized when the unconditional promise to give is made.

Bequests are recognized when Called to Serve is informed that it will receive a bequest and the amount to be received is known by Called to Serve, which is generally after completion of the probate process.

Donated Services

The Archdiocese of Seattle donates accounting and recordkeeping services. Called to Serve records these donated professional services at the fair value for the services received.

Volunteers contribute a significant amount of time to Called to Serve's program services, administration, and fundraising and development activities. These donated services do not meet the requirements for recognition in the financial statements and have not been recorded.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Amounts on the statement of functional expenses of Called to Serve are recognized on a direct basis. Salaries and related expenses are allocated to CTSC by the Archdiocese of Seattle on the basis of estimates of time and effort. All other expense classifications are made based on direct usage.

Income Taxes

CTSC is a nonprofit organization and is exempt from federal income taxes.

Subsequent Events

Management of CTSC has evaluated subsequent events through the date these financial statements were available to be issued, which was October 14, 2019.

Note 2. Liquidity and Availability of Resources

Called to Serve receives contributions and bequests without donor restrictions and contributions with time restrictions.

Called to Serve considers contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include fundraising expenses and program grant expenses. As such, all cash and current receivables are considered available for general expenditure at June 30, 2019.

A summary of Called to Serve's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash	\$ 1,644,000
Current portion of contribution receivables	9,180,000
Other receivables expected to be collected within one year	<u>22,000</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 10,846,000</u></u>

As part of the CTSC liquidity management plan, at the end of each quarter, the board reserves estimated fundraising expenses for the upcoming quarter. The remaining balance of cash is used to make program grants.

Note 3. Contributions Receivable

Contributions receivable consist of the following at June 30, 2019:

Receivable in less than one year	\$ 9,180,000
Receivable in one to five years	10,265,000
Receivable in five or more years	<u>540,000</u>
	19,985,000
Discount (3%)	(559,000)
Allowance for doubtful accounts	<u>(1,187,000)</u>
	<u><u>\$ 18,239,000</u></u>

Contributions receivable are presented in the statement of financial position as follows as of June 30, 2019:

Contributions receivable, current portion	\$ 9,180,000
Contributions receivable, non-current portion	<u>9,059,000</u>
	<u><u>\$ 18,239,000</u></u>

Approximately 10% of the total contributions receivable balance is due from one donor at June 30, 2019.

Note 4. Related Parties

Called to Serve operates as an independent affiliate to the Archdiocese of Seattle. Called to Serve received \$325,000 in contributions from the Archdiocese and \$30,000 in in-kind contributions for accounting services for the period ended June 30, 2019.

Called to Serve also received contributions from board members totaling \$209,000 for the period ended June 30, 2019, \$124,500 of which was still outstanding as pledge receivables at year-end.

Called to Serve distributes funds raised to the Archdiocese priest pension and medical plans and related religious organizations, per the purpose of the campaign. During the period ended June 30, 2019, Called to Serve granted a total of \$6,533,000 to 131 affiliated organizations. Of this amount, \$856,000 was outstanding as a payable to affiliated organizations at year-end.

Note 5. Commitments

The Campaign has an outstanding commitment for professional fundraising consulting for the duration of the campaign totaling \$822,000 as of June 30, 2019. If certain fundraising benchmarks are met, additional bonus payments will become due. Total possible bonus payments outstanding as of June 30, 2019, are \$325,000.