



## DIOCESE OF PORTLAND OFFICE OF THE BISHOP

December 2013

My Dear Sisters and Brothers in Christ:

It is hard to believe that another year has come and gone. Meanwhile, you, the faithful of the Diocese of Portland, have entered more deeply into the spirit of Advent as you've watched and waited not only for the return of the Lord but for the appointment of my successor, the Twelfth Bishop of Portland. Certainly, the Lord knows who that will be, and in due time, he will reveal that person to all of us.

In the meantime, it is my privilege to share this Annual Summary of the financial operations of the Diocese of Portland, and its affiliated corporations, for the twelve months ended June 30, 2013. Continuing to observe our long-standing diocesan commitment to transparency and accountability, I am confident that this summary report presents a clear, accurate and understandable financial portrait of the entire diocese. I also believe that it reveals many things for which we can all be grateful and for which I personally give thanks, including:

- the prayerful, faithful and generous sharing of resources by Maine Catholics so that the Church can fulfill its mission of evangelization through multiple ministries;
- the vision, oversight and advice offered by the members of the Diocesan Finance Council;
- the hard work, competence and integrity provided by the staff of the Diocesan Finance Office — they recognize their efforts are a ministry and not simply a job; and of course,
- the exceptional pastoral leadership, commitment and sacrifices of our clergy, in collaboration with their staffs, without whom the day-to-day life of the Church would not be possible.

As the Apostolic Administrator of this diocese, I continue to pray daily for you, your parishes, and the diocese as a whole because together we are the local Church — the Body of Christ alive and active in this part of the world, where the joyful message of salvation, life and hope must be proclaimed anew.

May the peace and promise of the Christmas season be yours in abundance, now and throughout the new year.

Sincerely in Christ,

† The Most Reverend Richard J. Malone, Th.D.  
Apostolic Administrator of the Diocese of Portland  
Bishop of Buffalo

## Roman Catholic Diocese of Portland – Finance Council

We are pleased to present you with this summary financial report for the Roman Catholic Diocese of Portland (including its parishes, schools and cemeteries) for the fiscal year ended June 30, 2013.

The Diocese of Portland Finance Council is one of three primary advisory bodies to the Bishop, along with the Pastoral Council and the Presbyteral (Priests) Council. The establishment of the Council by the Bishop is required by canon law. Its membership consists of the Bishop, the Moderator of the Curia, the Chancellor and a majority of volunteer laypeople often with professional backgrounds in areas such as civil law, finance, development, communications, investments, insurance and real estate. Its purpose is to advise the Bishop on the development and implementation of strategies designed to ensure the financial soundness of the Diocese, oversee (but not manage) diocesan financial operations, and assist the Bishop in achieving transparency in diocesan financial reporting. The Finance Council makes specific recommendations to the Bishop on policies, procedures and actions, and will monitor the implementation of recommendations that have been accepted by the Bishop.

*Gregg H. Ginn, Finance Council Chair*

A subset of the Finance Council is the Audit & Budget Committee comprised of all volunteer laypeople. Committee members are knowledgeable and experienced in accounting, auditing and financial management. The primary responsibilities of the Committee are to oversee development of the diocesan budget and to oversee the annual audit process.

Independent external auditors meet with the Audit & Budget Committee as part of their planning process for the annual examination of diocesan finances. Upon completion of the audit, the Committee again meets with the auditors to review their findings and recommendations. It also meets with the diocesan internal auditor to assure that internal audits of parishes, schools and cemeteries are adequately performed. The Committee reports the results of these meetings to the Finance Council, with the external auditors present, and calls for any action needed to ensure sound fiscal management.

At all meetings, we encourage open and sincere discussions with and among members and we are grateful for their commitment, sacrifice and dedication.

*Dick Roderick, Audit & Budget Committee*

### Message From The Finance Officer

Financial results for Fiscal Year 2013 were very good, rebounding nearly entirely from a disappointing FY 2012. Unrestricted net assets increased \$13.9 million after decreasing \$17.6 million last year. Counter to last year, most of the increase resulted from investment gains and decreases in lay and clergy pension and clergy retiree health obligations. Temporarily restricted net assets are up \$600,000, largely from investment gains. Permanently restricted net assets improved by \$2.0 million. Total net assets grew by \$16.8 million (after deteriorating by \$20.4 million last year).

Financial results from ordinary operations show a \$2.7 million surplus, with \$2.1 million coming from the sale of property. After 2-4% parish offertory drops in each of the last four years, parish offertory held steady this year. Total operating revenue was up \$2.1 million. Total expense was reduced by \$2.4 million. Building maintenance expenses remain high. Program expenses were reduced by nearly \$800,000. Program expenses for ministries such as those for religious education, youth ministry and schools continue to be cut so that we can, in effect, keep buildings open that we really don't need. Twenty-nine buildings are currently for sale, but a number of others remain underutilized. The Annual Appeal is still significantly short of the \$3.5 million raised in 2008. The Appeal rose slightly from \$2.6 million last year to \$2.65 million this year.





With offertory flat and the Appeal far short of its historical performance, investment return has become more critical, and consequently, we have had to challenge ourselves “to think outside the box.” Both the parishes and the diocese are dependent on income from savings and endowments to pay bills. Income from those sources, particularly savings and fixed-income securities, is down due to low interest rates. Maturing investments yielding 4-5% would be reinvested at .5-1% if invested in similar investment instruments. That, in turn, produces less income for parishes and the diocese to pay its bills. So, “thinking outside the box,” we opted to invest in income producing real estate yielding 6-7% instead of 1% yielding savings or fixed-income instruments in order to increase the amount of money available to pay bills. The diocese purchased a shopping center in Portland simply because the shopping center is a higher yielding investment than savings or fixed-income securities.

Low interest rates also affect retirement obligations. The discount rate used by actuaries to project pension and clergy retiree health obligations are based on prevailing interest rates. A lower discount rate pushes up the retirement obligation. When a lower discount rate is coupled with negative investment returns, a significant jump in the retirement obligation is inevitable. Fortunately, the discount rate increased slightly this year, and we had significant gains on investments, resulting in a \$10.2 million favorable adjustment to our liability.

### **Costs for Sexual Abuse**

During Fiscal Year 2013, the cost attributable to sexual misconduct was \$108,658 for settlements, victim assistance, victim counseling and legal expenses. Of that amount, \$58,386 was for settlements and legal costs, which was paid by the insurance program. The remaining balance, virtually all for victim assistance, was paid from diocesan reserves and investment income.

### **The Financial Statements**

A Combined Statement of Financial Position is shown in Exhibit I on the next page. Investment assets increased in value by \$8.2 million. Retirement plan obligations decreased by \$8.3 million.

The Combined Statement of Activities shown in Exhibit II depicts the revenues and expenses for the Diocese. Parish revenues and expenses comprise the bulk of ordinary revenues and expenses (approx. 88% of both). Net operating revenue went from a \$1.8 million deficit to a surplus of \$2.7 million. Net assets increased by \$16.8 million.

Exhibit III provides some insight into the size of Chancery operations. Sources of revenue and functional expenses are depicted.

### **Commitment to Accountability**

Our resources are provided through the generosity of the faithful. In return, we must be accountable for the use of those resources. It is our intention to continue publishing similar information on an annual basis. I hope this financial report is informative.

*David P. Twomey*  
*Finance Officer*

# FINANCIAL INFORMATION

## Roman Catholic Bishop of Portland (A Corporation Sole) Combined Statement of Financial Position June 30, 2013 and 2012

	2013	2012
<b>Assets:</b>		
Cash and cash equivalents	9,894,192	8,854,285
Investments	106,818,415	98,235,700
Due from affiliated organizations	451,952	185,135
Pledges receivable, net of reserve for uncollectible pledges	6,930,854	10,789,446
Accounts receivable	914,244	876,292
Real Estate Held for Investment	2,743,734	0
Accrued investment income	45,207	49,073
Other assets	1,391,791	1,450,159
Beneficial interests in trusts held by others	3,301,157	4,539,529
<b>Total assets</b>	<b>132,491,546</b>	<b>124,979,619</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	2,184,546	2,479,099
Other liabilities	2,104,109	1,976,992
Insurance claims payable	1,835,862	2,106,920
Reserve for insurance claims incurred but not reported	3,042,986	3,281,399
Accrued pension obligations	17,568,103	20,797,542
Accrued other post-retirement benefits	9,041,300	14,185,582
Deferred revenue	1,324,987	1,555,667
Amounts held for others	27,357	55,304
<b>Total liabilities</b>	<b>37,129,250</b>	<b>46,438,505</b>
<b>Net assets:</b>		
Unrestricted	13,327,422	-558,271
Unrestricted - designated	2,514,193	2,440,437
Unrestricted - limited in use - cemetery perpetual care	12,578,736	12,364,109
Temporarily restricted	31,596,187	30,968,536
Permanently restricted	35,345,758	33,326,303
<b>Total net assets</b>	<b>95,362,296</b>	<b>78,541,114</b>
<b>Total liabilities and net assets</b>	<b>132,491,546</b>	<b>124,979,619</b>

Management Compiled

## Roman Catholic Bishop of Portland (A Corporation Sole) Combined Statement of Activities Year Ended June 30, 2013

	2013	2012
<b>Operating revenues and support:</b>		
Collections - freewill offerings	25,739,729	25,726,803
Capital campaign contributions	690,866	1,325,319
Other contributions and bequests	3,530,269	2,729,105
Interest and dividends	1,972,990	1,858,012
Parochial school revenue	13,069,917	13,002,303
Religious education revenues	248,173	243,271
Cemetary operating revenues	1,618,006	1,769,616
Charges for insurance to affiliates	890,744	939,259
Proceeds from sale of property	2,134,785	356,780
Parish fundraising events	2,324,410	2,290,716
Rental income	654,895	460,570
Other revenue	1,734,582	1,782,830
<b>Total operating revenue</b>	<b>54,609,366</b>	<b>52,484,584</b>
<b>Expenses:</b>		
Program services:		
Pastoral	8,408,877	8,567,810
Educational	15,200,794	15,691,645
Social services	1,675,115	1,715,689
Religious personnel development	522,532	523,047
Cemeteries	2,050,143	1,946,735
Other	909,807	1,090,200
<b>Total program services</b>	<b>28,767,068</b>	<b>29,535,126</b>
Supporting services:		
General and administration	8,457,536	8,075,194
Building repairs and maintenance	7,998,651	9,042,671
Insurance expense - property/casualty	2,626,493	2,649,307
Insurance expense - health	2,928,189	3,872,912
Fundraising expenses	1,143,344	1,099,647
<b>Total supporting services</b>	<b>23,154,213</b>	<b>24,739,731</b>
<b>Total expenses</b>	<b>51,921,281</b>	<b>54,274,857</b>
<b>Excess (deficiency) of revenue</b>	<b>2,688,085</b>	<b>(1,790,273)</b>
Pension/health liability adjustments	10,195,195	(9,017,957)
Property and equipment	(1,750,109)	(2,247,221)
Provision for Uncollectible Pledges	0	(3,188,000)
Gain/(loss) on investments	5,688,011	(4,181,160)
<b>Change in unrestricted net assets</b>	<b>16,821,182</b>	<b>(20,424,611)</b>
<b>Net assets July 1</b>	<b>78,541,114</b>	<b>98,965,725</b>
<b>Net assets June 30</b>	<b>95,362,296</b>	<b>78,541,114</b>

Management Compiled

## Roman Catholic Bishop of Portland Statement of Operations - Chancery For the Years Ending June 30, 2013 and June 30, 2012

	2013	2012
<b>Revenues:</b>		
Parish Assessments	1,829,327	1,823,175
Bishop's Appeal	2,473,011	2,691,809
Restricted Income	148,532	170,483
Trust Funds	1,163,736	998,989
Insurance Income	667,843	693,817
Investment Income	113,729	232,083
<b>Total Revenue</b>	<b>6,396,178</b>	<b>6,510,356</b>
<b>Expenses:</b>		
Vicar General's Office	296,465	398,471
Catholic Schools	521,559	562,674
Finance	607,894	552,680
Property Management	93,128	63,796
Lifelong Faith Formation	351,954	344,633
Tribunal	292,655	328,848
Clergy Health & Pension	644,167	606,573
Indian Missions	67,574	71,862
Communications & Public Policy	425,912	397,389
Clergy Education & Development	72,864	56,201
Clergy Relief	217,790	191,746
Counseling & Support	58,055	31,711
Bahama Mission	12,000	12,000
Christian Life Center	19,680	19,680
Development	427,810	395,836
Parish Support	73,140	71,875
Hospital Chaplains	162,340	142,125
Campus Ministry	109,926	95,302
St. Andre's Home	24,000	24,000
Catholic Charities Maine	637,881	637,153
Resource Center	0	8,843
Vocatoon Development & Seminarian Education	507,727	544,903
Prison Ministry	9,832	3,865
Hispanic Ministry	99,576	95,709
Risk Management	294,143	284,143
Safe Environment	193,289	229,685
Professional Responsibility	80,100	84,938
USCCB Assessment	43,187	42,655
<b>Total</b>	<b>6,344,648</b>	<b>6,299,296</b>
<b>Excess of Revenue Over Expenses</b>	<b>51,530</b>	<b>211,060</b>

Management Compiled