



DIOCESE OF PORTLAND
OFFICE OF THE BISHOP

**SUMMARY FINANCIAL REPORT
FY 2007**

My Dear Friends in Christ:

I am pleased to present this annual Summary Report on the finances and operations of the Diocese of Portland for the 12 months ending June 30, 2007.

This report has two aims: first, to provide better understanding of how the Church in Maine uses its resources to do God's work; second, to express our thanks to everyone whose gifts of time, talent and treasure help make this work possible. Here you will find information about the finances of the Diocese and our stewardship of the resources offered to us.

It is the generosity of the Catholic faithful in Maine that enables the Church to function at both the parish and diocesan levels. I am deeply grateful to all who contribute to the support of their parish, to the annual Bishop's Appeal, and to the needs of the Church in the rest of America and around the world.

Our Diocese is blessed by the work of devoted men and women who serve on our Diocesan Finance Council lending their professional expertise and independent judgment to the management of the finances of the Diocese. Likewise, the Diocesan Finance Office staff works diligently to assure that the gifts you offer are used efficiently and responsibly.

We continue to press forward with our New Evangelization. Our aim is to enable all of us as Church to carry out more effectively the mission Jesus entrusted to us: to share the Good News of salvation for all people. We have been blessed by the work of hundreds of people who have contributed their time and energy to re-orient our parishes so that priests can better fulfill their true ministry and lay people can more readily share the many gifts of time and talent they have to offer. The process of organizational and spiritual renewal will continue in the days ahead. I thank God we can move ahead with trust in the commitment of Maine Catholics to live as disciples of Our Lord.

May God bless you with His peace. Please know that you are in my prayers.

Yours sincerely in Christ,

(Signature omitted for security purposes)

Most Reverend Richard J. Malone
Bishop of Portland



Bishop Malone with Peter Verrill,
Finance Council Chair

MESSAGE FROM THE DIOCESAN FINANCE COUNCIL

We are pleased to share with you this summary report of the finances of the Diocese of Portland for the fiscal year ended June 30, 2007.

Canon Law requires each Diocese to have a Finance Council and defines its responsibilities. The Council advises the Bishop regarding administration of the business affairs of the Diocese and must give approval for certain actions, such as a substantial purchase or sale of Church property.

Our Council includes the Bishop, three priests, one woman Religious, and twelve professionally-qualified lay men and women. The Council meets quarterly with the Bishop and has candid discussions with him on the financial affairs of the Diocese. Committees of the Council meet regularly to develop and assure execution of sound financial policies and practices.

Because the Church in Maine is dependent on offerings from its members to support its mission and work, the Council supervises the fund-raising efforts of the Diocese and makes sure that gifts from the faithful are used effectively and efficiently for the purposes the donors intended.

The Finance Council has an Audit/Budget Committee of six lay people. All members of the Committee are knowledgeable and experienced both in finances and in management of a non-profit organization. The principal responsibility of the Committee is to oversee management of the assets of the Diocese. It supervises the creation of the Diocesan budget and oversees the Council's consideration of the budget. The Committee meets quarterly to review financial performance and make recommendations to the Council.

The Audit/Budget Committee meets with independent outside auditors to plan the scope of their annual examination of Diocesan finances. At the completion of the audit, the Committee reviews with them their findings and recommendations. It also meets with internal auditors to assure that internal audits are adequate for parishes, schools, cemeteries, and the Diocese. The Committee recommends to the full Council any action that may be called for to assure sound financial accounting and management.

At all meetings we encourage open and frank discussions with everyone involved, and we are grateful for the commitment and level of participation of our members.

(Signatures omitted for security purposes)

Peter Verrill, Finance Council Chair

Mary Manning Arnold, Audit/Budget Committee Chair

MESSAGE FROM THE FINANCE OFFICER

Highlights

Fiscal Year 2007 was a financially successful year for the Diocese. Total operating revenue was up approximately 6%. However, with parish offertory up only marginally and the Bishop's Appeal down slightly, our most reliable sources of income are not growing at a rate that keeps pace with inflation. Outstanding investment performance, one-time contributions and control over expenses really account for much of last year's success.

Application of a new national accounting standard for determining pension and other post-retirement benefit obligations caused the financial report to show a substantial increase in these items. The new standard provides a more accurate depiction of our true liability.

Net assets increased by \$11.0 million as compared to a \$4.7 million increase in 2006.

The Financial Statements

The Diocese of Portland operates under civil law as the Roman Catholic Bishop of Portland, a Corporation Sole. This Corporation (“the Diocese”) includes all parish, parish school, parish cemetery, and Chancery (Diocesan offices) assets. It does not include separately-incorporated entities such as Catholic Charities Maine or entities operated by religious communities.

A Combined Statement of Financial Position is shown in Exhibit 1 on the next page. Approximately 55% of the assets shown are parish assets. Investments are up \$9.6 million largely due to investment appreciation.

The Combined Statement of Activities shown in Exhibit 2 depicts the revenues and expenses for the Diocese. Parish revenues and expenses comprise the bulk of diocesan revenues and expenses (approximately 88% of both). One can see the increase in Collections as well as the overall improvement in revenue.

Property and equipment expenditures have such a large impact because the Diocese does not capitalize and depreciate fixed assets. Property/equipment additions are immediately expensed.

Exhibit 3 provides some insight into the size of Chancery (Diocesan offices) operations. Sources of revenue and functional expenses are depicted.

Costs for Sexual Abuse

The cost of the sexual abuse crisis is still with us. During Fiscal Year 2007, total costs were \$832,000. Of that amount, \$753,000 was paid by the insurance program; the balance was paid from Diocesan reserves and investment income. \$670,000 was paid in settlements. Most of the balance was used for victim assistance and counseling. Legal expense comprised the rest.

Challenges and Opportunities

The challenge we continue to face as we move to a cluster structure is to make best use of our current resources and to increase them to meet new needs and opportunities. Revenue has increased in recent years because those who give have given more. However, the number of donors has dropped. Several factors may affect this: for example, church attendance and consistent giving are highest among the World War II generation. In the next generation, attendance has declined and with it, the number of donors. Reliance on professional lay staff will continue to increase as the number of priests declines. We must do more to teach people both the spiritual and practical benefits of sharing their gifts with the Church. More importantly, we all, as Catholics, must embrace and participate in a new wave of evangelization to bring fellow Catholics back into the Church.

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. I hope that this financial report is informative.

(Signature omitted for security purposes)

David P. Twomey
Finance Officer

FINANCIAL STATEMENTS (MANAGEMENT COMPILED)

Exhibit 1: Combined Statement of Financial Position for the Roman Catholic Bishop of Portland, A Corporation Sole, for the years ended June 30, 2007 and 2006.

| <u>ASSETS</u> | | |
|--|---------------------------|--------------------------|
| Assets | 2007 | 2006 |
| Cash and cash equivalents | 10,549,204 | 7,240,394 |
| Investments | 87,484,281 | 77,922,740 |
| Due from affiliated organizations | 686,093 | 763,949 |
| Pledges receivable, net of reserve for uncollectible pledges | 2,531,116 | 3,042,595 |
| Accounts receivable | 3,469,117 | 552,124 |
| Accrued investment income | 147,018 | 155,649 |
| Other assets | 1,656,619 | 1,668,888 |
| Beneficial interests in trusts held by others | <u>2,996,373</u> | <u>1,013,665</u> |
| Total assets | <u>109,519,821</u> | <u>92,360,004</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Liabilities | 2007 | 2006 |
| Accounts payable and accrued expenses | 3,614,188 | 2,967,958 |
| Other liabilities | 2,266,433 | 1,769,037 |
| Insurance claims payable | 3,824,110 | 1,997,126 |
| Reserve for insurance claims incurred but not reported | 1,776,281 | 1,779,962 |
| Accrued pension obligations | 4,630,114 | 5,217,263 |
| Accrued other postretirement benefits | 11,022,568 | 6,977,937 |
| Deferred revenue | 2,385,746 | 2,568,477 |
| Savings and loan deposits | <u>10,898</u> | <u>86,516</u> |
| Total liabilities | <u>29,530,338</u> | <u>23,364,276</u> |
| Net assets | | |
| Unrestricted | 27,831,323 | 24,198,100 |
| Unrestricted - designated | 1,375,545 | 1,322,987 |
| Unrestricted - limited in use - cemetery perpetual care | 10,365,331 | 10,331,513 |
| Temporarily restricted | 33,009,427 | 26,998,466 |
| Permanently restricted | <u>7,407,857</u> | <u>6,144,662</u> |
| Total net assets | <u>79,989,483</u> | <u>68,995,728</u> |
| Total liabilities and net assets | <u>109,519,821</u> | <u>92,360,004</u> |

Exhibit 2: Combined Statement of Activities for the Roman Catholic Bishop of Portland, for the years ended June 30, 2007 and 2006.

| Oper. revenues/support: | 2007 | 2006 |
|--|--------------------------|--------------------------|
| Collections - freewill offerings | 30,877,869 | 30,556,167 |
| Capital campaign contrib. | 1,499,694 | 2,082,530 |
| Other contrib. and bequests | 5,408,799 | 1,857,771 |
| Interest and dividends | 2,876,667 | 2,685,601 |
| Parochial school revenue | 14,137,267 | 14,399,063 |
| Religious education revenues | 376,468 | 318,492 |
| Cemetery operating revenues | 2,141,482 | 1,735,864 |
| Charges for insur. to affiliates | 2,174,541 | 2,523,668 |
| Proceeds from sale of prop. | 1,113,444 | 2,504,691 |
| Gain/(loss) on sale of invest. | 2,218,102 | 3,310,363 |
| Parish fundraising events | 1,834,802 | 1,842,157 |
| Rental income | 561,513 | 435,435 |
| Other revenue | <u>4,770,636</u> | <u>1,928,191</u> |
| Total operating revenue | <u>69,991,284</u> | <u>66,179,993</u> |
| Expenses: | | |
| Program services: | | |
| Pastoral | 20,238,823 | 19,744,720 |
| Educational | 21,117,735 | 20,794,439 |
| Social services | 1,386,360 | 1,473,290 |
| Religious pers. devt | 696,005 | 469,116 |
| Cemeteries | 2,488,224 | 2,133,928 |
| Other | <u>587,163</u> | <u>997,804</u> |
| Total program services | <u>46,514,310</u> | <u>45,613,297</u> |
| Supporting services: | | |
| General and administration | 3,002,528 | 3,369,646 |
| Insurance exp-prop/cas | 3,083,798 | 2,638,862 |
| Insurance exp-health | 5,116,899 | 5,965,785 |
| Fundraising expenses | <u>360,959</u> | <u>414,376</u> |
| Total supporting services | <u>11,564,184</u> | <u>12,388,669</u> |
| Total expenses | <u>58,078,494</u> | <u>58,001,966</u> |
| Excess(deficiency) of revenue | <u>11,912,790</u> | <u>8,178,027</u> |
| Pension/health liability adjust. | (2,107,287) | (724,321) |
| Property and equipment | (4,799,841) | (3,020,441) |
| Unrealized gain/(loss) on invest. | <u>5,988,093</u> | <u>225,457</u> |
| Change in unrestricted net assets | <u>10,993,755</u> | <u>4,658,722</u> |
| Net assets July 1, 2006 | <u>68,995,728</u> | <u>64,337,006</u> |
| Net assets June 30, 2007 | <u>79,989,483</u> | <u>68,995,728</u> |

Exhibit 3: Statement of Activities for All Diocesan Departments for the years ended June 30, 2007 and 2006.

| Revenues: | 2007 | 2006 |
|---|-------------------------|-------------------------|
| Parish Assessments | 1,807,643 | 1,700,599 |
| Bishop's Appeal | 3,545,178 | 3,441,309 |
| Restricted Income | 542,280 | 638,970 |
| Trust Funds | 725,108 | 576,406 |
| Investment Income | <u>172,881</u> | <u>155,722</u> |
| Total Revenue | <u>6,793,090</u> | <u>6,513,006</u> |
| Expenses: | | |
| Bishop's Office | 546,440 | 536,208 |
| Catholic Schools | 802,155 | 746,639 |
| Finance | 469,152 | 449,366 |
| Property Management | 59,630 | 66,672 |
| Catechetics | 281,885 | 243,633 |
| Tribunal | 226,241 | 233,344 |
| Youth Ministry | 228,080 | 202,315 |
| Clergy Health & Pension | 563,721 | 530,913 |
| Indian Missions | 84,416 | 72,426 |
| Communic./Public Policy | 481,504 | 426,199 |
| Clergy Educ/Development | 160,975 | 60,934 |
| Clergy Relief | 216,718 | 184,933 |
| Diocesan Charities | 43,217 | 7,600 |
| Counseling & Support | 42,526 | 72,973 |
| Bahamas Mission | 12,000 | 12,000 |
| Christian Life Center | 21,700 | 21,700 |
| Development | 315,253 | 287,059 |
| Parish Support | 133,683 | 148,176 |
| Hospital Chaplains | 164,502 | 156,510 |
| Campus Ministry | 107,344 | 108,992 |
| St. Andre's Home | 40,000 | 40,000 |
| Catholic Charities Maine | 813,206 | 815,671 |
| Resource Center | 49,933 | 41,058 |
| Cathedral Residence | 0 | 58,181 |
| Stewardship | 63,957 | 56,424 |
| Vocation Development & Seminarian Education | 561,453 | 427,004 |
| Prison Ministry | 1,780 | 1,985 |
| Hispanic Ministry | 45,349 | 39,100 |
| USCCB Assessment | 52,765 | 54,412 |
| Total Expenses | <u>6,589,585</u> | <u>6,102,427</u> |
| Excess of Revenue Over Expenses | <u>203,505</u> | <u>410,579</u> |