



DIOCESE OF PORTLAND
OFFICE OF THE BISHOP

November 2008

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 twelve months ending June 30, 2008.

This report is intended to provide a better understanding of how the Church in Maine is a steward of the resources entrusted to her for the ongoing mission of Christ's work, and to express our gratitude to all whose personal stewardship of their gifts of time, talent and treasure make this work possible.

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.

We are blessed by the work of the devoted men and women on our Diocesan Finance Council who share their professional expertise and independent judgment for the management of the resources of the diocese. Likewise, the staff of the Diocesan Finance Office works diligently to ensure that the gifts you offer are used effectively and responsibly.

The mission of the Church, which is to evangelize, continues to move forward; however, we do so with a special awareness of the challenging economic times faced by everyone. More than ever, I am confident that the Lord is calling upon all of us to carry out his mission by sharing the Good News of salvation with all people through education, worship, and works of charity and justice.

We are blessed by the generosity of hundreds of parishioners who collaborate with their priests to better fulfill their respective vocations and ministries through the gifts that they offer. I thank God that together we can move forward in a spirit of profound hope and trust because of Maine Catholics committed to living as faithful 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

MESSAGE FROM THE DIOCESAN 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, 2008.

The Diocese of Portland Finance Council is one of the three major councils of the diocese, along with the Presbyteral Council and the Pastoral Council. It is a body required by canon law, established by the Bishop. Its membership consists of the Bishop, the Moderator of the Curia, the Chancellor and ten lay people with professional backgrounds in areas such as civil law, finance, fundraising, media, 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 condition, and assist the Bishop in achieving openness and transparency in diocesan financial reporting. Consistent with these responsibilities, 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.

The Finance Council has an Audit & Budget Committee of five lay people. Committee members are knowledgeable and experienced in accounting, auditing and financial management. The principal responsibilities of the Committee are to oversee development of the diocesan budget, monitor compliance with financial policies and to direct the annual audit process.

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 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 and any action that may be called for to ensure 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.

(Signature Omitted for Security Purposes)

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Peter Verrill, Finance Council Chair

Mary Arnold, Audit/Budget Committee

MESSAGE FROM THE FINANCE OFFICER

Overall, I would characterize Fiscal Year 2008 as a satisfactory year from a financial standpoint. Though the fiscal year started out strong, the turmoil in world financial markets dampened results later in the year. Total operating revenue was up only 1.8%. Parish offertory increased but not at a pace to fund programs at past, not to mention desired, levels. We worked effectively to hold operating expenses marginally above last year despite increasing fuel costs. Unfortunately, this caused us to curtail certain ministries.

The challenge we 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. Church attendance is down and, fortunately, those in attendance have been generous. Reliance on professional lay staff will continue to increase as the number of priests declines. The number of active diocesan priests is now in the low to mid sixties. We had not anticipated reaching that level until 2010. Providing adequate compensation for lay professional staff is a challenge that must be met.

Net revenue from operations reached \$11.9 million. However, a substantial portion of that amount can be attributed to sale of property, sale of investments and insurance company reimbursement for claims. Much of the net operating revenue was erased by property expenditures and an unrealized loss on investments of \$7.5 million, resulting from deteriorating financial market conditions toward the end of the year. Net assets increased by about \$900,000.

Costs for Sexual Abuse

The cost of sexual abuse is still with us. During Fiscal Year 2008, total costs were \$348,200 for settlements, victim assistance, victim counseling and legal expense. Of that amount, \$129,900 was for settlements. Of the \$348,200, \$274,000 was paid by the insurance program. The remaining balance, the vast majority being for victim assistance, was paid from diocesan reserves and investment income.

The Financial Statements

The Diocese of Portland operates under civil law as the Roman Catholic Bishop of Portland, a Corporation Sole. This Corporation includes all parish, parish school, parish cemetery and Chancery 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 I on the next page. Approximately 60% of the assets shown are parish assets. Though investment assets declined in value by more than \$5.4 million (net of \$7.5 million in unrealized losses and \$2.1 million in realized gains), the overall balance declined only slightly due to the influx of new money. Poor investment performance also caused an increase in the accrued pension obligation.

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 diocesan revenues and expenses (approximately 90% of both). One can see the net operating revenue of \$11.9 million and the \$7.5 million unrealized loss on investments.

Property and equipment expenditures have such a large impact because the diocese does not capitalize and depreciate fixed assets. Property and equipment additions are immediately expensed. If the diocese were to depreciate (spread the expense over the assets' useful lives) those assets, current expense would be radically reduced and the change in Net Assets would be less.

Exhibit 3 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 that this financial report is informative.

(Signature Omitted for Security Purposes)

David P. Twomey
Finance Officer

