



DIocese OF PORTLAND
OFFICE OF THE BISHOP

January 2007

My Dear Friends in Christ:

I am pleased to present this Annual Report on the finances and operations of the Diocese of Portland for the 12 months ending June 30, 2006.

This report has two aims: first, to provide better understanding of how the Church in Maine does God's work; second, to express our thanks to everyone whose gifts 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 and to the annual Bishop's Appeal, not only with their treasure, but with their prayers and their talents.

One of the bulwarks of my trust is the strength of the Finance Council volunteers who lend their professional expertise and independent judgment to the management of the finances of the Diocese. Likewise, the Finance Office staff works diligently to assure that the gifts you offer are used effectively and efficiently.

We continue to press forward with our New Evangelization. Its ultimate aim is to enable all of us as Church to carry out even more effectively the mission Jesus entrusted to us: to share the Good News of salvation for all people. We have been blessed by the participation 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 bring forth the multitude of 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 do so with trust in the commitment of Maine Catholics to live as disciples of Our Lord.

Yours sincerely in Christ,

(Signature omitted for security purposes)

Bishop of Portland

FINANCE COUNCIL, DIOCESE OF PORTLAND

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, 2006.

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 fourteen 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 at all levels — parishes, schools, cemeteries, 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.

(Signature omitted for security purposes)

Gregg Ginn, Finance Council Chair

(Signature omitted for security purposes)

Mary Arnold, Chair, Audit/Budget Committee

MESSAGE FROM THE FINANCE OFFICER

Overall, I would characterize Fiscal Year 2006 as a financial success. Total operating revenue was up over 6%. However, a significant portion of that increase was attributable to gains on sales of investments and proceeds from sale of property. Parish offertory was up only marginally. Both parish offertory and the Bishop's Appeal have increased but not at a pace to cover the inflationary increases in expenses.

Fortunately, we have been able to hold the rate of growth in operating expense at about 1.8%. Unfortunately, this has caused some ministries to be constrained or reduced.

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. 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.

Property and casualty insurance expense increased from last year due to the loss from the fire that destroyed the Calais church complex and to sexual misconduct costs.

Net assets rose from \$1.7 million in 2005 to \$4.7 million in 2006. This is largely attributable to gains on sales of investments and proceeds from sale of property.

Costs for Sexual Abuse

The cost of the sexual abuse is still with us. During Fiscal Year 2006, total costs were \$624,000 for settlements, victim assistance, victim counseling and legal expense. Of that amount, \$437,000 was for settlements. Of the \$624,000, \$516,000 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

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

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. Investments are up \$7.0 million largely due to investment appreciation and proceeds from sale of property which were re-invested.

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 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 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.

FINANCIAL INFORMATION

Exhibit 1: Combined Statement of Financial Position for the Roman Catholic Bishop of Portland, a Corporation Sole, for the years ended June 30, 2006 and 2005

<u>ASSETS</u>		
Assets:	2006	2005
Cash and cash equivalents	7,240,394	7,554,837
Investments	77,922,740	70,734,215
Due from affiliated organizations	763,949	735,379
Pledges receivable, net of reserve for uncollectible pledges	3,042,595	3,340,998
Accounts receivable	552,124	534,276
Accrued investment income	155,649	139,100
Other assets	1,668,888	1,822,240
Beneficial interests in trusts held by others	<u>1,013,665</u>	<u>918,606</u>
Total assets:	<u>92,360,004</u>	<u>85,779,651</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:	2006	2005
Accounts payable and accrued expenses	2,967,958	2,620,007
Other liabilities	1,769,037	2,647,244
Insurance claims payable	1,997,126	1,798,018
Reserve for insurance claims incurred but not reported	1,779,962	1,696,137
Accrued pension obligations	5,217,263	4,326,309
Accrued other post-retirement benefits	6,977,937	6,064,186
Deferred revenue	2,568,477	2,157,125
Savings and loan deposits	<u>86,516</u>	<u>133,619</u>
Total liabilities:	<u>23,364,276</u>	<u>21,422,645</u>
Net assets:		
Unrestricted	24,198,100	21,836,756
Unrestricted - designated	1,322,987	1,196,190
Unrestricted - limited in use - cemetery perpetual care	10,331,513	10,149,155
Temporarily restricted	26,998,466	25,194,188
Permanently restricted	<u>6,144,662</u>	<u>5,960,717</u>
Total net assets:	<u>68,995,728</u>	<u>64,337,006</u>
Total liabilities & net assets:	<u>92,360,004</u>	<u>85,779,651</u>

(Management Compiled)

Exhibit 2: Combined Statement of Activities for the Roman Catholic Bishop of Portland, for the years ended June 30, 2006 and 2005

Oper. revenues and support:	2006	2005
Collections - freewill offerings	30,556,167	30,841,317
Capital campaign contributions	2,082,530	2,610,854
Other contribs. and bequests	1,857,771	1,638,998
Interest and dividends	2,685,601	2,013,820
Parochial school revenue	14,399,063	13,355,760
Religious education revenues	318,492	361,439
Cemetery operating revenues	1,735,864	1,605,113
Charges for insur. to affiliates	2,523,668	2,377,085
Proceeds from sale of property	2,504,691	532,537
Gain (Loss) on sale of invest.	3,310,363	2,369,394
Parish fundraising events	1,842,157	1,741,976
Rental income	435,435	318,282
Other revenue	<u>1,928,191</u>	<u>2,307,265</u>
Total operating revenue:	<u>66,179,993</u>	<u>62,073,840</u>
Expenses:		
Program services:		
Pastoral	19,744,720	19,844,481
Educational	20,794,439	20,841,147
Social services	1,473,290	1,353,977
Religious personnel devt	469,116	407,490
Cemeteries	2,133,928	1,791,972
Other	<u>997,804</u>	<u>922,599</u>
Total program services:	<u>45,613,297</u>	<u>45,161,666</u>
Supporting services:		
General and administration	3,369,646	2,913,789
Insurance expense-prop/cas	2,638,862	1,629,108
Insurance Expense - Health	5,965,785	6,881,183
Fundraising expenses	<u>414,376</u>	<u>403,450</u>
Total supporting services:	<u>12,388,669</u>	<u>11,827,530</u>
Total expenses:	<u>58,001,966</u>	<u>56,989,196</u>
Excess (deficiency) of revenue:	<u>8,178,027</u>	<u>5,084,644</u>
Minimum pension liability adjust.	(724,321)	(651,872)
Property and equipment	(3,020,441)	(2,831,690)
Unrealized gain/(loss) on invest.	<u>225,457</u>	<u>112,048</u>
Change in unrestricted net assets:	<u>4,658,722</u>	<u>1,713,130</u>
Net assets, July 1, 2005:	<u>64,337,006</u>	<u>62,623,876</u>
Net assets, June 30, 2006:	<u>68,995,728</u>	<u>64,337,006</u>

(Management Compiled)

Exhibit 3: Diocesan Statement of Activities for All Diocesan Departments for the year ended June 30, 2006 and 2005

Revenues:	2006	2005
Parish Assessments	1,700,599	1,693,595
Bishop's Appeal	3,441,309	3,416,849
Restricted Income	638,970	673,174
Trust Funds	576,406	568,647
Investment Income	<u>155,722</u>	<u>211,626</u>
Total Revenues:	<u>6,513,006</u>	<u>6,563,891</u>
Expenses:		
Bishop's Office	536,208	476,430
Catholic Schools	746,639	713,396
Finance	449,366	410,007
Property Management	66,672	80,346
Catechetics	243,633	307,019
Tribunal	233,344	228,623
Youth Ministry	202,315	214,222
Clergy Health & Pension	530,913	581,676
Indian Missions	72,426	68,975
Communications & Public Policy	426,199	416,851
Clergy Education & Development	60,934	114,105
Clergy Relief	184,933	176,432
Diocesan Charities	7,600	12,275
Counseling & Support	72,973	203,971
Bahamas Mission	12,000	12,000
Christian Life Center	21,700	21,700
Development	287,059	301,567
Parish Support	148,176	145,075
Hospital Chaplains	156,510	214,971
Campus Ministry	108,992	128,309
St. Andre's Home	40,000	40,000
Catholic Charities Maine	815,671	768,399
Resource Center	41,058	55,184
Cathedral Residence	58,181	168,523
Stewardship	56,424	63,304
Voc Development and Seminarian Education	427,004	377,768
Prison Ministry	1,985	21,522
Hispanic Ministry	39,100	0
USCCB Assessment	54,412	56,454
Debt Service	<u>0</u>	<u>19,824</u>
Total Expenses:	<u>6,102,427</u>	<u>6,398,928</u>
Excess of Rev. Over Exp.:	<u>410,579</u>	<u>164,963</u>

(Management Compiled)