



DIOCESE OF PORTLAND
OFFICE OF THE BISHOP

November 2009

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, 2009.

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 my thanks to all whose personal 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 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 diocesan resources. Likewise, the staff of the Diocesan Finance Office works diligently to ensure that your monetary gifts 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. Still, the Lord continues to challenge us to carry out His mission – to spread His promise of salvation through worship, education, and acts 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,

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, 2009.

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 a majority of lay people with professional backgrounds in areas such as civil law, finance, fundraising, 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 condition, and assist the Bishop in achieving 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 comprised of all lay people. 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 direct the annual audit process.

The Audit & Budget Committee meets with independent external auditors to plan the scope of the auditors' annual examination of diocesan finances. Upon completion of the audit, the Committee 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 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.

Arthur Borduas, Finance Council Chair

Mary Arnold, Audit/Budget Committee

MESSAGE FROM THE FINANCE OFFICER

Financial results for Fiscal Year 2009 were significantly impacted by the turmoil in world financial markets and the resulting worldwide recession. Many of our parishioners were adversely affected and that understandably was reflected in contributions. Total operating revenue was down 4.8%. Parish offertory fell by just under 4%. The Bishop's Appeal was down as well. To the extent these revenue shortfalls persist, we will have to reduce programs when some of them are needed most. Thus far, we have not trimmed services but, obviously, that cannot continue over the longer term.

We are beginning to realize some benefit from our move to a cluster structure. Yet, there is still much to be done to make best use of our current resources and to increase them to meet new needs and opportunities. Heavier reliance on professional lay staff continues as the number of priests has declined at a rate faster than projected. The number of active diocesan priests will soon be below sixty. That is 3-5 less priests than projected for 2010. Greater effort and resources must be put into encouraging and promoting priest vocations. That and providing adequate compensation for lay professional staff are challenges that must be met.

Net revenue from operations of \$7.1 million was realized. However, that \$7.1 million was more than erased by \$15.7 million in Losses on Investments and the \$7.0 million or more increase in retirement plan obligations due to declines in investments and low interest rates. Fortunately, our investments have recouped a significant amount of value since June 30. With the economy showing small signs of recovery, we hope to recoup more investment value and, ultimately, see contributions return to a normal growth rate.

Costs for Sexual Abuse

During Fiscal Year 2009, the cost attributable to sexual misconduct was \$788,766 for settlements, victim assistance, victim counseling and legal expense. Of that amount, \$720,785 was for settlements. The entire \$720,785 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 are held by or for the benefit of parishes. Investment assets declined in value by more than \$15.0 million. Retirement plan liabilities grew by a considerable amount.

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 85-90% of both). One can see the net operating revenue of \$7.1 million as well as a drop in net assets of \$20.0 million.

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.

David P. Twomey
Finance Officer

Exhibit 1: Combined Statement of Financial Position for the Roman Catholic Bishop of Portland, a Corporation Sole, for the years ended June 30, 2009 and 2008

ASSETS		
Assets	2009	2008
Cash and cash equivalents	10,536,444	11,304,180
Investments	74,627,852	89,774,570
Due from affiliated organizations	634,912	735,645
Pledges receivable, net of reserve for uncollectible pledges	8,206,277	1,616,714
Accounts receivable	1,682,495	2,025,963
Accrued investment income	120,218	125,741
Other assets	1,454,937	1,396,311
Beneficial interests in trusts held by others	<u>3,977,671</u>	<u>5,348,416</u>
Total assets	101,240,806	112,327,540
LIABILITIES AND NET ASSETS		
Liabilities	2009	2008
Accounts payable and accrued expenses	2,808,341	3,061,234
Other liabilities	1,751,247	1,859,300
Insurance claims payable	1,929,321	2,567,731
Reserve for insurance claims incurred but not reported	3,341,626	2,193,636
Accrued pension obligations	12,500,560	6,717,290
Accrued other postretirement benefits	12,315,712	9,870,917
Deferred revenue	1,820,109	1,728,381
Savings and loan deposits	<u>506,608</u>	<u>10,812</u>
Total liabilities	36,973,524	28,009,301
Net assets		
Unrestricted	7,260,344	28,869,876
Unrestricted - designated	1,515,907	1,399,772
Unrestricted - limited in use - cemetery perpetual care	11,237,145	10,921,446
Temporarily restricted	24,246,106	29,372,770
Permanently restricted	<u>20,007,780</u>	<u>13,754,375</u>
Total net assets	64,267,282	84,318,239
Total liabilities and net assets	101,240,806	112,327,540

(Management Compiled)

FINANCIAL INFORMATION

Exhibit 2: Combined Statement of Activities for the Roman Catholic Bishop of Portland for the years ended June 30, 2009 and 2008

Oper. revenues and support:	2009	2008
Collections - freewill offerings	27,670,866	30,146,305
Capital campaign contributions	8,410,065	965,752
Other contributions and bequests	5,005,124	6,582,969
Interest and dividends	3,386,030	4,083,958
Parochial school revenue	14,018,263	15,065,933
Religious education revenues	250,999	724,984
Cemetery operating revenues	1,121,669	1,933,113
Charges for insurance to affiliates	1,227,643	1,368,580
Proceeds from sale of property	1,406,069	1,974,615
Parish fundraising events	2,148,675	1,982,075
Rental income	451,245	413,339
Other revenue	<u>2,888,105</u>	<u>3,990,497</u>
Total operating revenue	67,984,753	69,232,120
Expenses:		
Program services:		
Pastoral	10,776,818	12,115,292
Educational	19,659,690	20,232,257
Social services	1,647,677	1,476,585
Religious pers. development	402,138	579,367
Cemeteries	1,970,186	1,968,363
Other	<u>511,747</u>	<u>674,161</u>
Total program services	34,968,256	37,046,025
Supporting services:		
General and administration	7,209,526	4,423,731
Building repairs and Maintenance	8,660,026	8,695,695
Insurance expense - property/casualty	3,929,806	3,955,857
Insurance expense - health	3,574,224	4,004,958
Fundraising expenses	<u>2,506,641</u>	<u>1,495,224</u>
Total supporting services	25,880,223	22,575,465
Total expenses	60,848,479	59,621,490
Excess (deficiency) of revenue	7,136,274	9,610,630
Pension/health liability adjustments	(7,301,182)	155,059
Property and equipment	(4,136,241)	(3,470,383)
Gain/(loss) on investments	<u>(15,749,808)</u>	<u>(5,372,020)</u>
Change in unrestricted net assets	(20,050,957)	923,286
Net assets July 1, 2007	84,318,239	83,394,953
Net assets June 30, 2008	64,267,282	84,318,239

(Management Compiled)

Exhibit 3: Diocesan Statement of Activities for Diocesan Departments for the years ended June 30, 2009 and 2008

Revenues:	2009	2008
Parish Assessments	1,689,218	1,857,807
Bishop's Appeal	3,178,240	3,432,052
Restricted Income	360,100	492,137
Trust Funds	637,275	738,384
Insurance Income	602,332	598,650
Investment Income	<u>235,389</u>	<u>285,509</u>
Total Revenue	6,702,554	7,404,539
Expenses:		
Chancellor's Office	423,138	404,170
Pastoral Planning	135,406	133,397
Catholic Schools	774,257	756,740
Finance	655,137	594,189
Property Management	115,461	50,256
Catechetics	196,208	305,676
Tribunal	323,212	220,678
Youth Ministry	215,008	232,046
Clergy Health & Pension	517,669	573,693
Indian Missions	73,668	71,130
Communications & Public Policy	475,663	471,018
Clergy Education & Development	139,266	122,749
Clergy Relief	361,695	239,822
Diocesan Charities	33,418	35,334
Counseling & Support	29,925	37,079
Bahamas Mission	12,000	12,000
Christian Life Center	21,700	21,700
Development	307,491	374,770
Parish Support	127,830	126,898
Hospital Chaplains	135,587	152,068
Campus Ministry	128,916	107,920
St. Andre's Home	40,000	40,000
Catholic Charities Maine	831,941	813,206
Resource Center	36,666	47,066
Vocation Development & Seminarian Education	374,615	448,646
Hispanic Ministry	81,036	46,947
Risk Management	301,015	292,994
Safe Environment	230,347	235,600
Prof Responsibility	70,971	70,056
USCCB Assessment	<u>42,953</u>	<u>47,020</u>
Total Expenses	7,212,199	7,084,868
Excess of Revenue Over Expenses	(509,645)	319,671

(Management Compiled)