



DIOCESE OF PORTLAND  
OFFICE OF THE BISHOP

December 2010

My Dear Friends in Christ:

The Good News of Jesus Christ presents both a comforting and challenging message to all believers.

First, it is indeed comforting to recognize you, the many faithful Catholics whose generosity enables the Church to fulfill its essential mission of proclaiming that Gospel. The ministries of the Church in Maine serve the more than 80,000 households that comprise our Catholic family. In response to that generosity, the Church owes profound gratitude, responsible stewardship, and transparent accountability.

In a spirit of profound gratitude, I say, "Thank you very much!" to all those who live as disciples by worshiping with their local parish communities at Sunday Mass, by evangelizing others through their personal witness, by *"strengthening the heartbeat of the Church"* through our recent capital campaign, and by sharing from their abundance and their want so that the Church can continue her many charitable, educational, and liturgical ministries on behalf of those who hunger in body, mind, and spirit.

Responsible stewardship of your gifts and donations is made possible by the many individuals whose competence, expertise, advice, and wisdom come to me through the Diocesan Finance Council and the Diocese Finance Office. Their integrity and judgment are additional gifts to our diocesan Church.

Transparent accountability is detailed in the Annual Summary Report of the financial operations of the Diocese of Portland for the twelve months ending June 30, 2010, which I am pleased to present.

Second, the challenging part of the message is that like so many Mainers, the Church has also been impacted by the current economic reality. Despite an extremely successful capital campaign to build up endowments for the future of the Church, operating revenues have continued to decline. Therefore, I invite you to pray about how the Church can re-envision and fulfill its mission of "proclaiming and living the truth in love" with limited resources. As committed Catholics, we can all ask ourselves "What does the Lord want me to do? How can I help?"

We believe, of course, that our Lord is with His Church and that He will help us to persevere, to remain faithful, and yes, even to grow towards the day of fulfillment. 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

# 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, 2010.

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 lay people 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 condition, 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.

A subset of the Finance Council is the Audit & Budget Committee comprised of all volunteer 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 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 and any action that may be called for 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.

Gregg H. Ginn, Finance Council Chair

Dick Roderick, Audit & Budget Committee

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### MESSAGE FROM THE FINANCE OFFICER

Financial results for Fiscal Year 2010 were mixed. On the positive side, the Catholic Foundation of Maine's assets grew by more than \$20 million, largely as a result of the diocesan-wide capital campaign. The campaign surpassed its \$40 million goal, raising \$42 million. Since the majority of those assets establish endowments that will benefit the Diocese in the future, particularly providing for parishes, schools, priest retirement plans and Catholic Charities, the majority of the capital campaign assets and revenue are reflected in the financial statements of the Roman Catholic Bishop of Portland, a Corporation Sole. Results were also boosted by investment gains. With financial markets steady, the Diocese regained approximately \$6.4 million of the \$15.7 million loss on investments in 2009.

However, financial results from ordinary operations were not as encouraging. Following a \$1.0 million drop (4%) in parish offertory last year, parish offertory fell another \$1.0 million (4%) this year. Though the parishes, schools and cemeteries were able to reduce costs, collectively they had a deficit of over \$300,000. Worse still, the Chancery offices experienced a deficit of over \$720,000 (10%) because contributions to the Bishop's Appeal decreased significantly for the second year in a row. The Appeal brought in \$2.0 million in 2010 versus \$3.4 million in 2008. The Chancery deficit would have been worse if costs had not been reduced by \$550,000.

What is the reason for the Appeal deterioration? The answer is multifaceted. Those parishioners who regularly attend church are generally our best contributors and attendance is down. Many of our parishioners have been adversely affected by the recession. (Despite that, the success of the capital campaign is an attestation to the remarkable generosity of our Maine faith community.) Some people took exception to the Church's teaching on

marriage. Most significantly, many donors gave to the capital campaign instead of the Appeal. Clearly, we did not effectively communicate that we needed donors to maintain their Appeal gift before determining the size of their capital campaign gift. The capital campaign establishes endowments for our future. The Appeal is critical funding for our daily operations.

Return of the Appeal to former giving levels is our most immediate concern. The Appeal provides \$650,000 in assistance to Catholic schools, including funding for the teacher pension plan and rebates to subsidize school operations. Catholic Charities Maine receives \$776,000 from the Appeal for people in need. The Appeal provides \$122,000 so that hospital chaplains can provide spiritual care to the seriously ill and their families. Without a rebound in the Appeal, some of this assistance might need to be curtailed, in a tough economic time when those services are perhaps needed most. We must make our best effort to prevent that from happening.

Reorganization of the Diocese continues to move forward and a good deal of the cost reductions previously mentioned were made possible by the reorganization. The number of parishes (not churches) has gone from 145 to 64. By July 1<sup>st</sup>, we expect that number to be 54. We have not curtailed resources for vocation development and are seeing benefits from that. We had four men enter seminary this year and have several prospects for next year. This is very encouraging.

### **Costs for Sexual Abuse**

During Fiscal Year 2010, the cost attributable to sexual misconduct was \$597,996 for settlements, victim assistance, victim counseling and legal expense. Of that amount, \$488,943 was for settlements. The entire \$488,943 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**

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 increased in value by \$8.7 million. The increase in Pledges Receivable stems from the capital campaign. Retirement plan obligations 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 ordinary revenues and expenses (typically 85-90% of both). Net operating revenue increased to \$17.4 million and net assets increased by \$19.7 million. However, those increases are entirely attributable to capital campaign proceeds flowing to the Catholic Foundation of Maine. Absent those proceeds, net operating revenue would instead be a deficit and net assets would have decreased.

The Diocese does not capitalize and depreciate fixed assets. Property and equipment additions are immediately expensed.

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

**Roman Catholic Bishop of Portland  
(A Corporation Sole)  
Combined Statement of Financial Position  
For the Years Ending June 30, 2010 and June 30, 2009**

<u>ASSETS</u>		
	2010	2009
<b>Assets</b>		
Cash and cash equivalents	11,647,990	10,536,444
Investments	83,323,293	74,627,852
Due from affiliated organizations	216,756	634,912
Pledges receivable, net of reserve for uncollectible pledges	24,338,383	8,206,277
Accounts receivable	776,272	1,682,495
Accrued investment income	78,993	120,218
Other assets	1,446,996	1,454,937
Beneficial interests in trusts held by others	<u>4,253,786</u>	<u>3,977,671</u>
<b>Total assets</b>	<b><u>126,082,469</u></b>	<b><u>101,240,806</u></b>
<u>LIABILITIES AND NET ASSETS</u>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	2,488,463	2,808,341
Other liabilities	1,771,591	1,751,247
Insurance claims payable	2,262,900	1,929,321
Reserve for insurance claims incurred but not reported	2,906,665	3,341,626
Accrued pension obligations	16,413,610	12,500,560
Accrued other postretirement benefits	14,032,456	12,315,712
Deferred revenue	1,644,446	1,820,109
Amounts held for others	<u>554,228</u>	<u>506,608</u>
<b>Total liabilities</b>	<b><u>42,074,359</u></b>	<b><u>36,973,524</u></b>
<b>Net assets</b>		
Unrestricted	5,714,174	7,260,344
Unrestricted - designated	1,441,068	1,515,907
Unrestricted - limited in use - cemetery perpetual care	11,539,165	11,237,145
Temporarily restricted	31,604,655	24,246,106
Permanently restricted	<u>33,709,048</u>	<u>20,007,780</u>
<b>Total net assets</b>	<b><u>84,008,110</u></b>	<b><u>64,267,282</u></b>
<b>Total liabilities and net assets</b>	<b><u>126,082,469</u></b>	<b><u>101,240,806</u></b>

Management Compiled

## FINANCIAL INFORMATION

**Roman Catholic Bishop of Portland  
(A Corporation Sole)  
Combined Statement of Activities  
For the Years Ending June 30, 2010 and June 30, 2009**

	2010	2009
<b>Operating revenues and support:</b>		
Collections - freewill offerings	27,544,469	27,670,866
Capital campaign contributions	23,630,252	8,410,065
Other contributions and bequests	2,323,683	5,005,124
Interest and dividends	2,018,833	3,386,030
Parochial school revenue	12,452,241	14,018,263
Religious education revenues	252,288	250,999
Cemetery operating revenues	1,450,044	1,121,669
Charges for insurance to affiliates	834,722	1,227,643
Proceeds from sale of property	1,062,441	1,406,069
Parish fundraising events	2,137,456	2,148,675
Rental income	350,549	451,245
Other revenue	<u>1,810,393</u>	<u>2,888,105</u>
<b>Total operating revenue</b>	<b><u>75,867,371</u></b>	<b><u>67,984,753</u></b>
<b>Expenses:</b>		
Program services:		
Pastoral	10,249,761	10,776,818
Educational	16,645,550	19,659,690
Social services	1,698,680	1,647,677
Religious personnel development	419,613	402,138
Cemeteries	2,238,364	1,970,186
Other	<u>734,944</u>	<u>511,747</u>
<b>Total program services</b>	<b><u>31,986,912</u></b>	<b><u>34,968,256</u></b>
Supporting services:		
General and administration	7,760,609	7,209,526
Building repairs and maintenance	6,566,655	8,670,624
Insurance expense - property/casualty	2,207,974	3,929,806
Insurance expense - health	4,630,357	3,574,224
Fundraising expenses	<u>2,620,077</u>	<u>2,506,641</u>
<b>Total supporting services</b>	<b><u>23,785,672</u></b>	<b><u>25,890,821</u></b>
<b>Total expenses</b>	<b><u>55,772,584</u></b>	<b><u>60,859,077</u></b>
<b>Excess (deficiency) of revenue</b>	<b><u>20,094,787</u></b>	<b><u>7,125,676</u></b>
Pension/health liability adjustments	(4,042,499)	(7,301,182)
Property and equipment	(2,711,884)	(4,125,643)
Gain/(loss) on investments	<u>6,400,424</u>	<u>(15,749,808)</u>
<b>Change in unrestricted net assets</b>	<b><u>19,740,828</u></b>	<b><u>(20,050,957)</u></b>
<b>Net assets July 1</b>	<b><u>64,267,282</u></b>	<b><u>84,318,239</u></b>
<b>Net assets June 30</b>	<b><u>84,008,110</u></b>	<b><u>64,267,282</u></b>

Management Compiled

**Roman Catholic Bishop of Portland  
(A Corporation Sole)  
Statement of Operations - Chancery  
For the Years Ending June 30, 2010 and June 30, 2009**

	2010	2009
<b>Revenues:</b>		
Parish Assessments	1,895,158	1,689,218
Bishop's Appeal	2,019,090	3,178,240
Restricted Income	487,897	360,100
Trust Funds	791,691	637,275
Insurance Income	562,523	602,332
Investment Income	<u>181,905</u>	<u>235,389</u>
<b>Total Revenue</b>	<b><u>5,938,264</u></b>	<b><u>6,702,554</u></b>
<b>Expenses:</b>		
Vicar General's Office	374,231	423,138
Pastoral Planning	122,860	135,406
Catholic Schools	652,530	774,257
Finance	587,493	655,137
Property Management	37,773	115,461
Life Long Faith Formation	416,623	411,216
Tribunal	317,106	323,212
Clergy Health & Pension	639,953	517,669
Indian Missions	72,268	73,668
Communications & Public Policy	408,238	475,663
Clergy Education & Development	74,550	139,266
Clergy Relief	149,151	361,695
Diocesan Charities	7,252	33,418
Counseling & Support	108,592	29,925
Bahama Mission	12,000	12,000
Christian Life Center	21,700	21,700
Development	390,079	307,491
Parish Support	82,000	127,830
Hospital Chaplains	122,409	134,246
Campus Ministry	104,239	128,916
St. Andre's Home	40,000	40,000
Catholic Charities Maine	776,159	831,941
Resource Center	44,703	36,666
Vocation Development & Seminarian Education	403,346	374,615
Prison Ministry	1,685	1,341
Hispanic Ministry	87,582	81,036
Risk Management	291,892	301,015
Safe Environment	197,126	230,347
Professional Responsibility	73,505	70,971
USCCB Assessment	<u>41,848</u>	<u>42,953</u>
<b>Total</b>	<b><u>6,658,893</u></b>	<b><u>7,212,199</u></b>
<b>Excess of Revenue Over Expenses</b>	<b><u>(720,629)</u></b>	<b><u>(509,645)</u></b>

Management Compiled