



## DIOCESE OF PORTLAND OFFICE OF THE BISHOP

December 2011

My Dear Sisters and Brothers in Christ:

In this joyful season, we watch for the return of the Lord, ever mindful of our mission to bring the Word of God to birth in a world that desperately needs to hear and heed His message.

I reiterate my firm belief expressed in last year's letter: "The Church owes profound gratitude, responsible stewardship, and transparent accountability" to every member of the faithful who supports her mission and ministry through their generous, sacrificial giving. Without your gifts, the work of the Church would not be possible.

This Annual Summary of the financial operations of the Diocese of Portland for the twelve months ended June 30, 2011, gives me the opportunity to offer my deepest thanks to everyone who answers the call to provide resources to the Church, at both the parish and diocesan level, so that God's Word can take on flesh through the many ministries and services the Church offers.

This report also permits me, along with the Diocesan Finance Council and the staff of our Department of Financial Services, to present you with clear and concise information about the financial operations of the diocese and its affiliated corporations. Our diocese as a whole, and certainly I as your Bishop, are blessed to have numerous employees and volunteers who bring many decades of competence and expertise to the day-to-day management of these resources. You can be confident that the intentions and expectations that accompany your donations are well represented and respected.

On that note, this past year I made the difficult but necessary decision to sell the house which had been the residence of the Bishop of Portland since 1938. That house is a 7000-square-foot, more costly-to-operate building that also needed extensive renovations for several years, but which the diocese could no longer afford. A newer, 2918-square-foot family home in Falmouth was purchased as the Bishop's residence—it will be far less expensive to operate and maintain, yet it includes a small chapel and provides enough space for meetings, receptions, and the other functions and duties that are particular to the ministry of a bishop as the Chief Shepherd and Executive of the diocese. During these challenging economic times, this is but one of many decisions that the diocese has made to live within our means and to preserve our resources for direct ministry to the faithful.

As we celebrate the awesome mystery of the Incarnation—the Son of God making his home among us—please be assured of my prayers for you and your families, that your homes may always know the peace, hope and joy that only Christ can give.

Sincerely in Christ,

† The Most Reverend Richard J. Malone, Th.D.  
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, 2011.

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 laypeople 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.

*Gregg H. Ginn, Finance Council Chair*

A subset of the Finance Council is the Audit & Budget Committee comprised of all volunteer laypeople. 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.

*Dick Roderick, Audit & Budget Committee*

## Message From The Finance Officer

Financial results for Fiscal Year 2011 were generally positive. Unrestricted net assets increased \$11.3 million, mostly from gains on investments and decreases in pension and health retirement obligations. Temporarily restricted net assets are up \$1.6 million, largely from the tail end of the Catholic Foundation of Maine's capital campaign. Since the majority of those capital campaign assets benefit the Diocese as a whole, particularly providing for parishes, schools, priest retirement plans and Catholic Charities, the majority of the capital campaign assets and revenue are reflected, under Generally Accepted Accounting Principles, in the financial statements of the Roman Catholic Bishop of Portland, a Corporation Sole. Total net assets improved by \$15.0 million.

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 \$900,000 (3.8%) this year. Though the parishes, schools and cemeteries were able to reduce costs, collectively they had a deficit of over \$1.19 million. Building maintenance expenses increased by approximately \$1.6 million while our program expenses were reduced by \$1.1 million. Program expenses such as those for religious education, youth ministry and schools are being reduced so that we can, in effect, keep buildings open that we really don't need. Thirty-nine buildings are currently for sale. The Annual Appeal is still significantly short of the \$3.5 million raised in 2008. Though the Chancery Statement of Operations shows the Appeal increasing from \$2.0 million to almost \$3.0 million,



those numbers are a bit misleading because the Appeal was conducted in different periods for different parishes over the last two years to accommodate the capital campaign schedule. In reality, the Appeal has fallen to and remained at \$2.5 million for the past two years or \$1.0 million per year short of what we need. We have had to rely on one-time bequests and some severe program cuts to cover the shortfalls.

What is the reason for the Appeal deterioration? The answer is multifaceted. Those parishioners that regularly attend church are generally our best contributors and, clearly, church attendance is down. Many of our parishioners have been adversely affected by the recession. 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 specific purposes for our future. The Appeal is critical funding for our daily operations.

Return of the Appeal to former giving levels remains our most immediate concern. The Appeal provides \$620,000 in assistance to Catholic schools, including funding for the teacher pension plan and rebates to subsidize school operations. Catholic Charities Maine receives \$523,000 from the Appeal for people in need. The Appeal provides \$155,000 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 will need to be further curtailed, in a tough economic time when those services are perhaps needed most. We must make our best effort to prevent that from happening.

### **Costs for Sexual Abuse**

During Fiscal Year 2011, the cost attributable to sexual misconduct was \$238,300 for settlements, victim assistance, victim counseling and legal expense. Of that amount, \$186,516 was for settlements and legal costs. The entire \$186,516 was paid by the insurance program. The remaining balance, the 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. About 41% of the assets are held by or for the benefit of parishes and another 21% are held by the Catholic Foundation of Maine for the benefit of parishes and certain diocesan programs. Investment assets increased in value by \$17.8 million from market gains and conversion of capital campaign pledges into investments. Retirement plan obligations decreased by \$5.6 million.

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 (approximately 82% of both). Net operating revenue went from \$20.1 million surplus to a deficit of \$2.2 million. However, of last year's \$20.1 million of net operating revenue, approximately \$20.9 million is attributable to capital campaign proceeds flowing to the Catholic Foundation of Maine. Absent the inclusion of capital campaign proceeds last year, net operating revenue would have instead been a deficit, meaning that we have now run an operating deficit for two consecutive years. Fortunately, investment gains more than offset the operating deficits.

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.

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*

# Financial Information

## Roman Catholic Bishop of Portland (A Corporation Sole) Combined Statement of Financial Position For the Years Ending June 30, 2011 and June 30, 2010

	ASSETS	
	2011	2010
<b>Assets</b>		
Cash and cash equivalents	9,194,910	11,647,990
Investments	101,250,783	83,323,293
Due from affiliated organizations	166,563	216,756
Pledges receivable, net of reserve for uncollectible pledges	18,119,053	24,338,383
Accounts receivable	789,281	776,272
Accrued investment income	59,633	78,993
Other assets	1,419,489	1,446,996
Beneficial interests in trusts held by others	4,817,114	4,253,786
<b>Total assets</b>	<b>135,816,826</b>	<b>126,082,469</b>

### LIABILITIES AND NET ASSETS

<b>Liabilities</b>		
Accounts payable and accrued expenses	2,675,237	2,488,463
Other liabilities	2,176,456	1,771,591
Insurance claims payable	2,080,903	2,262,900
Reserve for insurance claims incurred but not reported	3,016,989	2,906,665
Accrued pension obligations	13,527,051	16,413,610
Accrued other post-retirement benefits	11,264,368	14,032,456
Deferred revenue	1,473,260	1,644,446
Amounts held for others	636,837	554,228
<b>Total liabilities</b>	<b>36,851,101</b>	<b>42,074,359</b>
<b>Net assets</b>		
Unrestricted	17,010,420	5,714,174
Unrestricted - designated	2,346,857	1,441,068
Unrestricted - limited in use		
- cemetery perpetual care	12,045,920	11,539,165
Temporarily restricted	33,234,871	31,604,655
Permanently restricted	34,327,657	33,709,048
<b>Total net assets</b>	<b>98,965,725</b>	<b>84,008,110</b>
<b>Total liabilities and net assets</b>	<b>135,816,826</b>	<b>126,082,469</b>

Management Compiled

## Roman Catholic Bishop of Portland (A Corporation Sole) Combined Statement of Activities For the Years Ending June 30, 2011 and June 30, 2010

	2011	2010
<b>Operating revenues and support:</b>		
Collections - freewill offerings	26,966,682	27,544,469
Capital campaign contributions	371,078	23,630,252
Other contributions and bequests	3,520,471	2,323,683
Interest and dividends	2,255,278	2,018,833
Parochial school revenue	12,313,457	12,452,241
Religious education revenues	313,883	252,288
Cemetery operating revenues	1,628,193	1,450,044
Charges for insurance to affiliates	458,123	834,722
Proceeds from sale of property	485,260	1,062,441
Parish fundraising events	2,070,835	2,137,456
Rental income	470,192	350,549
Other revenue	2,238,786	1,810,393
<b>Total operating revenue</b>	<b>53,092,238</b>	<b>75,867,371</b>

### Expenses:

Program services:		
Pastoral	8,934,647	10,249,761
Educational	16,744,956	16,645,550
Social services	1,555,297	1,698,680
Religious personnel development	464,056	419,613
Cemeteries	1,939,126	2,238,364
Other	1,363,291	856,146
<b>Total program services</b>	<b>31,001,373</b>	<b>32,108,114</b>

### Supporting services:

General and administration	8,283,018	7,639,407
Building repairs and maintenance	8,160,081	6,566,655
Insurance expense - property/casualty	1,826,772	2,207,974
Insurance expense - health	5,052,469	4,630,357
Fundraising expenses	1,002,725	2,620,077
<b>Total supporting services</b>	<b>24,325,065</b>	<b>23,664,470</b>
<b>Total expenses</b>	<b>55,326,438</b>	<b>55,772,584</b>

### Excess (deficiency) of revenue

Pension/health liability adjustments	8,180,625	(4,042,495)
Property and equipment	(1,896,907)	(2,711,884)
Gain/(loss) on investments	10,908,097	6,400,424
<b>Change in unrestricted net assets</b>	<b>14,957,615</b>	<b>19,740,828</b>
<b>Net assets July 1</b>	<b>84,008,110</b>	<b>64,267,282</b>
<b>Net assets June 30</b>	<b>98,965,725</b>	<b>84,008,110</b>

Management Compiled

## Roman Catholic Bishop of Portland (A Corporation Sole) Statement of Operations - Chancery For the Years Ending June 30, 2011 and June 30, 2010

	2011	2010
<b>Revenues:</b>		
Parish Assessments	1,875,698	1,895,158
Bishop's Appeal	2,976,139	2,019,090
Restricted Income	297,505	487,897
Trust Funds	889,639	791,691
Insurance Income	689,474	562,523
Investment Income	199,505	181,905
<b>Total Revenue</b>	<b>6,917,960</b>	<b>5,938,264</b>

### Expenses:

Vicar General's Office	295,818	374,231
Pastoral Planning	85,693	122,860
Catholic Schools	526,716	652,530
Finance	477,680	587,493
Property Management	58,270	37,773
Life Long Faith Formation	448,825	416,623
Tribunal	315,243	317,106
Clergy Health & Pension	583,129	639,953
Indian Missions	69,654	72,268
Communications & Public Policy	403,495	408,238
Clergy Education & Development	49,592	74,550
Clergy Relief	252,373	149,151
Diocesan Charities	3,033	7,252
Counseling & Support	31,235	108,592
Bahama Mission	12,000	12,000
Christian Life Center	19,700	21,700
Development	383,745	390,079
Parish Support	66,700	82,000
Hospital Chaplains	93,228	122,409
Campus Ministry	98,289	104,239
St. Andre's Home	24,000	40,000
Catholic Charities Maine	641,067	776,159
Resource Center	22,446	44,703
Vocation Development & Seminarian Education	490,074	403,346
Prison Ministry	3,495	1,685
Hispanic Ministry	87,317	87,582
Risk Management	295,681	291,892
Safe Environment	323,063	197,126
Professional Responsibility	70,729	73,505
USCCB Assessment	41,699	41,848
<b>Total</b>	<b>6,273,989</b>	<b>6,658,893</b>
<b>Excess of Revenue Over Expenses</b>	<b>643,971</b>	<b>(720,629)</b>

Management Compiled