



## DIOCESE OF PORTLAND OFFICE OF THE BISHOP

December 2014

My Dear Sisters and Brothers in Christ,

During these first months among you as your bishop, it has become very clear to me that the joy of the Gospel as proclaimed and envisioned by our Holy Father, Pope Francis, is evident in all of you, the faithful of the Diocese of Portland.

This joy, which is rooted in the hope, truth and life that is Jesus Christ himself, I have witnessed in all of you, as I have begun to familiarize myself with this beautiful diocese. It has revealed itself in your hospitality, your generosity to the Church's ministries, and your sacrifices in supporting our mission of proclaiming the Gospel of joy. Just as the Word became flesh and dwelt among us more than two thousand years ago, you also bring that word of love to life in our diocese, our state, and our world today.

As your new bishop, it is my privilege to share this Annual Summary of the Financial Operations of the Diocese of Portland, and its affiliated corporations, for the twelve months ended June 30, 2014. I promise to continue our diocesan commitment to transparency and accountability, especially by providing you with a report that presents a fair and readable portrait of diocesan financial operations.

Of course, such a report would not be possible without the involvement of many people, especially the gracious sharing of financial resources by you, our Catholic faithful; the selfless day-to-day service of our priests and parish leadership; the expertise of the Diocesan Finance Office; and the wise guidance of the Diocesan Finance Council.

This report reminds all of us that we have much for which we can and must be thankful. But in some ways, it also serves as a reminder of the many unmet needs that confront the Body of Christ here in Maine — for example, to increase the number of priestly vocations for service in all areas of our diocese; to reach out to our brothers and sisters, many of whom continue to live in poverty and on the margins of society; and to implement the new evangelization so that every heart can embrace the Lord's message of salvation.

May "the good news of great joy" proclaimed in the Christmas story resonate in your families' homes, and may you be open now and always to the Lord's lavish blessings.

Sincerely in Christ,

† Most Reverend Robert P. Deeley, J.C.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, 2014.

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 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 monitors 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 ensure that internal audits of parishes, schools and cemeteries are adequately performed. The Committee reports the results of these meetings to the Finance Council, with the external auditors present, and calls for any action needed 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 2014 were quite good overall. Unrestricted net assets increased \$9.6 million after increasing \$13.9 million last year. Like last year, the positive results stemmed largely from investment gains and decreases in retiree pension and health obligations. Temporarily restricted net assets are up \$7.5 million, again largely from investment gains but also due to an asset reclassification from permanently restricted net assets. Permanently restricted net assets declined by \$1.4 million due to that asset reclassification. Total net assets grew by \$16.4 million (after improving by \$16.8 million last year).

Financial results from ordinary operations show a \$5.1 million surplus, with \$2.0 million coming from the sale of property. Unfortunately, parish offertory continues to erode each year, though the rate of erosion has slowed considerably in the last two years. The annual Catholic Appeal brought in \$2.65 million but remains significantly short of the \$3.5 million raised in 2008. Total operating revenue was up by roughly \$584,000, largely as a result of bequests from parishioners' wills that cannot be counted on from year to year. Total expenses were reduced by \$1.5 million. Building maintenance expenses remain high.



With offertory flat and the Appeal far short of its historical performance, investment return has become more critical. Thankfully, investment performance has been very good for the past two years, allowing us to not only fully recover from the drastic financial market downturn in 2008 but also to grow our total investment portfolio to new highs. Both the parishes and the diocese are dependent on income from savings and endowments to pay bills. Income from those sources, particularly savings and fixed-income securities, is down due to low interest rates. Maturing fixed-income investments yielding 4-5% are reinvested at .5-1%. So, our only sustainable revenue growth has come from income received on investment appreciation.

Low interest rates also affect retirement obligations. The discount rate used by actuaries to project pension and clergy retiree health obligations are based on prevailing interest rates. A lower discount rate pushes up the retirement obligation. Prevailing interest rates have remained constantly low over the last few years, yet our unfunded retirement obligations decreased this year. Unfortunately, the cause for the decrease in the retirement obligations was not a good one this past year. It resulted from an unusually high number of deaths among our retired priests.

In summary, investment performance produced overall positive results for the past year, and the income from appreciated investments helped us offset revenue shortfalls in other areas. However, until we see real growth in parish offertory and/or the annual Catholic Appeal, we will face challenges in funding the mission of the Church, i.e. the spreading of the Gospel message and the living of the Gospel in how we care for others.

### **Costs Related to Sexual Abuse Cases**

During Fiscal Year 2014, the cost attributable to sexual misconduct was \$192,517 for settlements, victim assistance, victim counseling, and legal expenses. Of that amount, \$170,822 was for settlements and legal costs, which were paid by the insurance program. The remaining balance, virtually all for victim assistance, was paid from diocesan reserves and investment income. An additional \$219,560 was spent on child protection programs.

### **The Financial Statements**

A Combined Statement of Financial Position is shown in Exhibit I on the next page. Investment assets increased in value by \$17.6 million. Retirement plan obligations decreased by \$2.0 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 (approx. 88% of both). Net operating revenue went from a \$3.0 million surplus to a surplus of \$5.1 million. Net assets increased by \$16.4 million.

Exhibit III 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 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 June 30, 2014 and 2013

	2014	2013
<b>Assets:</b>		
Cash and cash equivalents	11,145,272	10,490,990
Investments	124,456,262	106,818,415
Due from affiliated organizations	240,227	451,952
Pledges receivable, net of reserve for uncollectible pledges	3,455,456	6,930,854
Accounts receivable	779,022	914,244
Real Estate Held for Investment	2,820,154	2,743,734
Other assets	1,397,707	1,437,768
Beneficial interests in trusts held by others	3,636,193	3,301,157
<b>Total assets</b>	<b>147,930,293</b>	<b>133,089,114</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	2,308,015	2,184,911
Other liabilities	2,178,369	2,105,083
Insurance claims payable	906,292	1,835,862
Reserve for insurance claims incurred but not reported	2,888,623	3,042,986
Accrued pension obligations	15,883,977	17,568,103
Accrued other postretirement benefits	9,357,806	9,041,300
Deferred revenue	1,957,631	1,324,987
Amounts held for others	32,034	27,357
<b>Total liabilities</b>	<b>35,512,747</b>	<b>37,130,589</b>
<b>Net assets:</b>		
Unrestricted	23,508,345	13,923,651
Unrestricted - designated	2,953,202	2,514,193
Unrestricted - limited in use - cemetery perpetual care	12,869,197	12,578,736
Temporarily restricted	39,117,961	31,596,187
Permanently restricted	33,968,841	35,345,758
<b>Total net assets</b>	<b>112,417,546</b>	<b>95,958,525</b>
<b>Total liabilities and net assets</b>	<b>147,930,293</b>	<b>133,089,114</b>

Management Compiled

### Roman Catholic Bishop of Portland (A Corporation Sole) Combined Statement of Activities Year Ended June 30, 2014

	2014	2013
<b>Operating revenues and support:</b>		
Collections - freewill offerings	25,621,622	25,739,729
Capital campaign contributions	569,841	690,866
Other contributions and bequests	4,499,276	3,530,269
Interest and dividends	1,652,065	1,722,686
Parochial school revenue	13,140,056	13,069,917
Religious education revenues	245,538	248,173
Cemetery operating revenues	1,668,437	1,618,006
Charges for insurance to affiliates	1,042,466	890,744
Proceeds from sale of property	2,000,398	2,134,785
Parish fundraising events	2,310,905	2,324,410
Rental income	970,280	654,895
Other revenue	1,814,089	2,326,379
<b>Total operating revenue</b>	<b>55,534,973</b>	<b>54,950,859</b>
<b>Expenses:</b>		
Program services:		
Pastoral	8,435,197	8,408,677
Educational	15,461,421	15,200,794
Social services	1,708,132	1,675,115
Religious personnel development	546,580	522,532
Cemeteries	2,387,906	2,050,143
Other	816,340	909,807
<b>Total program services</b>	<b>29,355,576</b>	<b>28,767,068</b>
Supporting services:		
General and administration	7,763,920	8,466,243
Building repairs and maintenance	7,457,038	7,998,721
Insurance expense	4,790,162	5,554,682
Fundraising expenses	1,085,429	1,143,344
<b>Total supporting services</b>	<b>21,096,549</b>	<b>23,162,990</b>
<b>Total expenses</b>	<b>50,452,125</b>	<b>51,930,058</b>
<b>Excess (deficiency) of revenue</b>	<b>5,082,848</b>	<b>3,020,801</b>
Pension/health liability adjustments	2,000,146	10,195,195
Property and equipment	(3,603,809)	(1,750,109)
Gain/(loss) on investments	12,979,836	5,951,524
<b>Change in unrestricted net assets</b>	<b>16,459,021</b>	<b>17,417,411</b>
<b>Net assets July 1</b>	<b>95,958,525</b>	<b>78,541,114</b>
<b>Net assets June 30</b>	<b>112,417,546</b>	<b>95,958,525</b>

Management Compiled

### Roman Catholic Bishop of Portland Statement of Operations - Chancery For the Years Ending June 30, 2014 and June 30, 2013

	2014	2013
<b>Revenues:</b>		
Parish Assessments	1,747,820	1,829,327
Catholic Appeal	2,467,768	2,566,111
Unrestricted Bequests	52,587	18,482
Restricted Income	146,317	148,532
Trust Funds	1,013,468	1,289,187
Insurance Income	799,636	667,843
Investment Income	253,132	445,226
<b>Total Revenue</b>	<b>6,480,728</b>	<b>6,964,708</b>
<b>Expenses:</b>		
Vicar General's Office	340,086	296,465
Catholic Schools	496,732	521,559
Finance	378,283	607,894
Property Management	205,606	93,128
Lifelong Faith Formation	424,605	351,954
Tribunal	255,852	292,655
Clergy Health & Pension	770,121	644,167
Indian Missions	74,868	67,574
Communications & Public Policy	317,836	425,912
Clergy Education & Development	87,242	72,864
Clergy Relief	70,586	217,790
Counseling & Support	49,326	58,055
Bahama Mission	12,000	12,000
Christian Life Center	19,680	19,680
Development	324,762	427,810
Parish Support	73,140	73,140
Hospital Chaplains	174,481	162,340
Campus Ministry	114,739	109,926
Saint André Home	34,000	24,000
Catholic Charities Maine	643,411	637,881
Vocation Development & Seminarian Education	590,945	507,727
Prison Ministry	9,589	9,832
Hispanic Ministry	99,494	99,576
Risk Management	322,974	294,143
Safe Environment	219,559	193,289
Professional Responsibility	77,198	80,100
USCCB Assessment	43,910	43,187
<b>Total</b>	<b>6,231,025</b>	<b>6,344,648</b>
<b>Excess of revenue over expenses</b>	<b>249,703</b>	<b>620,060</b>

Management Compiled