



## DIOCESE OF PORTLAND OFFICE OF THE BISHOP

December 2012

My Dear Sisters and Brothers in Christ:

Our lives are often focused on and built around expectations. Advent is a season of joyful expectation — a time of waiting with child-like excitement for the celebration of Christ's birth as well as watching with adult-like hope for his eventual return in glory.

It is also your expectation and right to receive this Annual Summary of the financial operations of the Diocese of Portland, and its affiliated corporations, for the twelve months ended June 30, 2012. Likewise, it is my expectation and responsibility that this report share with you the following:

- first, my personal thanks, because I owe a debt of gratitude to so many —
  - to the faithful of the Diocese of Portland whose generous support allows the mission and ministries of the Church in Maine to continue;
  - to the members of our Diocesan Finance Council, for their expertise, advice and commitment to transparency and accountability;
  - to the staff of our Department of Financial Services, for the diligence, competence and integrity they bring to their work, which they consider a ministry and not merely a job; and
  - to the priests of the Diocese, whose pastoral leadership helps to build up the Church in parishes, and without whom the diocese would not be able to function and thrive;
- second, my renewed assurance that your gifts are used appropriately, that is in a manner that respects your intentions as well as Church beliefs in matters of justice and stewardship; and
- third, my firm commitment to provide a summary report that is a fair, accurate, understandable, and helpful to those who have sacrificed and shared their resources with the Church.

As the Apostolic Administrator of the Diocese of Portland (and formerly your diocesan bishop), this report will be the last one issued under my name. Therefore, please indulge me as I express my own hopes and expectations for the diocese: that the Lord bless you with a faithful and holy bishop in the near future, that every person in Maine hear anew the good news of salvation that Jesus Christ offers to all, and that Catholics will continue to support generously the work of the Church in this beautiful state.

As we celebrate the awesome mystery of the Son of God taking on flesh in the person of Jesus, please be assured of my prayers for you and your families. May the hope, joy and peace of the season be yours in abundance, now and throughout the new year.

Sincerely in Christ,

† The Most Reverend Richard J. Malone, Th.D.  
Apostolic Administrator of the Diocese of Portland  
Bishop of Buffalo

## 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, 2012.

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 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 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 2012 were very disappointing. Unrestricted net assets decreased \$17.6 million after increasing \$11.3 million last year. Most of the decrease resulted from investment losses and increases in lay and clergy pension and clergy retiree health obligations. Temporarily restricted net assets are down \$2.3 million, largely from investment losses. Permanently restricted net assets declined \$1.0 million due to a write down of capital campaign pledges. Total net assets deteriorated by \$20.4 million (after improving by \$15.0 million last year).

Financial results from ordinary operations show a \$1.8 million loss. Following a \$900,000 drop (3.8%) in parish offertory last year, parish offertory fell another \$566,000 (2.5%) this year. Though the parishes, schools and cemeteries were able to reduce costs, collectively they had a deficit of \$1.7 million. Building maintenance expenses increased by approximately \$882,000 while our program expenses were reduced by \$1.6 million. In other words, program expenses for ministries 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-one buildings are currently for sale but a number of others remain underutilized. The Annual Appeal is still significantly short of the \$3.5 million raised in 2008. The Appeal rose slightly from \$2.5 million last year to \$2.6 million this year. The decline in the Appeal has caused budget reductions of approximately \$500,000 and several other programs historically funded by the Appeal have survived on a year-to-year basis only because of some one-time bequests.





Though drops in offertory and the Appeal are problematic, the biggest reasons behind poor Fiscal Year 2012 results were low interest rates and poor overall investment performance. Both the parishes and the diocese are dependent on income from savings and endowments. Income from those sources, particularly savings, is down due to low interest rates. 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. When a lower discount rate is coupled with negative investment returns, a significant jump in the retirement obligation is inevitable. The retirement obligation impact on our financial results was \$10.2 million and the investment loss impact was another \$4.2 million. Fortunately, increased retirement obligations and the unrealized losses on investments do not immediately impact cash flow and the change in our cash position was negligible. However, we do need to carefully manage the retirement obligations and investments going forward.

Because interest rates and financial market results are largely beyond our control, return of the Appeal to former giving levels remains our most immediate goal. The Appeal provides \$563,000 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 \$142,000 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 2012, the cost attributable to sexual misconduct was \$486,500 for settlements, victim assistance, victim counseling and legal expense. Of that amount, \$454,764 was for settlements and legal costs. The insurance program paid for \$449,037 or all but \$5,727. The remaining balance, all 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 43% of the assets are held by or for the benefit of parishes and another 20% are held by the Catholic Foundation of Maine for the benefit of parishes and certain diocesan programs. Investment assets decreased in value by \$3.0 million, down \$4.2 million from losses but offset partially from new capital campaign investments. Retirement plan obligations increased by \$10.2 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 88% of both). Net operating revenue went from a \$173,000 surplus to a deficit of \$1.8 million. The retirement obligation adjustment, capital improvements to property and equipment, a write down of capital campaign pledges and losses on investments added \$18.6 million to the operating deficit, resulting in a decrease in net assets of \$20.4 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.

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 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, 2012 and 2011

	2012	2011
<b>Assets:</b>		
Cash and cash equivalents	8,854,285	9,194,910
Investments	98,235,700	101,250,783
Due from affiliated organizations	185,135	166,563
Pledges receivable, net of reserve for uncollectible pledges	10,789,446	18,119,053
Accounts receivable	876,292	789,281
Accrued investment income	49,073	59,633
Other assets	1,450,159	1,419,489
Beneficial interests in trusts held by others	4,539,529	4,817,114
<b>Total assets</b>	<b>124,979,619</b>	<b>135,816,826</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	2,479,099	2,675,237
Other liabilities	1,976,992	2,176,456
Insurance claims payable	2,106,920	2,080,903
Reserve for insurance claims incurred but not reported	3,281,399	3,016,989
Accrued pension obligations	20,797,542	13,527,051
Accrued other post-retirement benefits	14,185,582	11,264,368
Deferred revenue	1,555,667	1,473,260
Amounts held for others	55,304	636,837
<b>Total liabilities</b>	<b>46,438,505</b>	<b>36,851,101</b>
<b>Net assets:</b>		
Unrestricted	-558,271	17,010,420
Unrestricted - designated	2,440,437	2,346,857
Unrestricted - limited in use - cemetery perpetual care	12,364,109	12,045,920
Temporarily restricted	30,968,536	33,234,871
Permanently restricted	33,326,303	34,327,657
<b>Total net assets</b>	<b>78,541,114</b>	<b>98,965,725</b>
<b>Total liabilities and net assets</b>	<b>124,979,619</b>	<b>135,816,826</b>

Management Compiled

## Roman Catholic Bishop of Portland (A Corporation Sole) Combined Statement of Activities Year Ended June 30, 2012

	2012	2011
<b>Operating revenues and support:</b>		
Collections - freewill offerings	25,726,803	26,966,682
Capital campaign contributions	1,325,319	2,779,078
Other contributions and bequests	2,729,105	3,520,471
Interest and dividends	1,858,012	2,255,278
Parochial school revenue	13,002,303	12,313,457
Religious education revenues	243,271	313,883
Cemetery operating revenues	1,769,616	1,628,193
Charges for insurance to affiliates	939,259	458,123
Proceeds from sale of property	356,780	485,260
Parish fundraising events	2,290,716	2,070,835
Rental income	460,570	470,192
Other revenue	1,782,830	2,238,786
<b>Total operating revenue</b>	<b>52,484,584</b>	<b>55,500,238</b>
<b>Expenses:</b>		
Program services:		
Pastoral	8,567,810	8,934,647
Educational	15,691,645	16,744,956
Social services	1,715,689	1,555,297
Religious personnel development	523,047	464,056
Cemeteries	1,946,735	1,939,126
Other	1,090,200	1,363,291
<b>Total program services</b>	<b>29,535,126</b>	<b>31,001,373</b>
Supporting services:		
General and administration	8,075,194	8,283,018
Building repairs and maintenance	9,042,671	8,160,081
Insurance expense - property/casualty	2,649,307	1,826,772
Insurance expense - health	3,872,912	5,052,469
Fundraising expenses	1,099,647	1,002,725
<b>Total supporting services</b>	<b>24,739,731</b>	<b>24,325,065</b>
<b>Total expenses</b>	<b>54,274,857</b>	<b>55,326,438</b>
<b>Excess (deficiency) of revenue</b>	<b>(1,790,273)</b>	<b>173,800</b>
Pension/health liability adjustments	(9,017,957)	8,180,625
Property and equipment	(2,247,221)	(1,896,907)
Provision for Uncollectible Pledges	(3,188,000)	(2,408,000)
Gain/(loss) on investments	(4,181,160)	10,908,097
<b>Change in unrestricted net assets</b>	<b>(20,424,611)</b>	<b>14,957,615</b>
<b>Net assets July 1</b>	<b>98,965,725</b>	<b>84,008,110</b>
<b>Net assets June 30</b>	<b>78,541,114</b>	<b>98,965,725</b>

Management Compiled

## Roman Catholic Bishop of Portland Statement of Operations - Chancery For the Years Ending June 30, 2012 and June 30, 2011

	2012	2011
<b>Revenues:</b>		
Parish Assessments	1,823,175	1,875,698
Bishop's Appeal	2,691,809	2,976,139
Restricted Income	170,483	287,505
Trust Funds	898,989	889,639
Insurance Income	693,817	689,474
Investment Income	232,083	199,505
<b>Total Revenue</b>	<b>6,510,356</b>	<b>6,917,960</b>
<b>Expenses:</b>		
Vicar General's Office	398,511	384,544
Catholic Schools	562,674	526,716
Finance	552,680	477,680
Property Management	63,796	58,270
Life Long Faith Formation	344,633	448,825
Tribunal	328,848	315,243
Clergy Health & Pension	606,573	583,129
Indian Missions	71,862	69,654
Communications & Public Policy	397,389	403,495
Clergy Education & Development	56,201	49,592
Clergy Relief	191,746	252,373
Counseling & Support	31,711	31,235
Bahama Mission	12,000	12,000
Christian Life Center	19,680	19,700
Development	395,836	383,745
Parish Support	71,875	66,700
Hospital Chaplains	142,125	93,228
Campus Ministry	95,302	98,289
St. Andre's Home	24,000	24,000
Catholic Charities Maine	637,153	641,067
Resource Center	8,843	22,446
Vocation Development & Seminarian Education	544,903	490,074
Prison Ministry	3,865	3,495
Hispanic Ministry	95,709	87,317
Risk Management	284,143	295,681
Safe Environment	229,685	323,063
Professional Responsibility	84,938	70,729
USCCB Assessment	42,655	41,699
<b>Total</b>	<b>6,299,336</b>	<b>6,273,989</b>
<b>Excess of Revenue Over Expenses</b>	<b>211,020</b>	<b>643,971</b>

Management Compiled