



DIOCESE OF PORTLAND  
OFFICE OF THE BISHOP

November 2008

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, 2008.

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 our gratitude to all whose personal stewardship of their 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 the support of 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 the resources of the diocese. Likewise, the staff of the Diocesan Finance Office works diligently to ensure that the gifts you offer 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. More than ever, I am confident that the Lord is calling upon all of us to carry out his mission by sharing the Good News of salvation with all people through education, worship, and works 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,

*(Signature Omitted for Security Purposes)*

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, 2008.

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 ten lay people with professional backgrounds in areas such as civil law, finance, fundraising, media, 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 openness and 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 of five lay people. Committee members are knowledgeable and experienced in accounting, auditing and financial management. The principal responsibilities of the Committee are to oversee development of the diocesan budget, monitor compliance with financial policies and to direct the annual audit process.

The Audit & Budget Committee meets with independent outside auditors to plan the scope of their annual examination of diocesan finances. At the completion of the audit, the Committee reviews with them 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.

*(Signature Omitted for Security Purposes)*

*(Signature Omitted for Security Purposes)*

Peter Verrill, Finance Council Chair

Mary Arnold, Audit/Budget Committee

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## MESSAGE FROM THE FINANCE OFFICER

Overall, I would characterize Fiscal Year 2008 as a satisfactory year from a financial standpoint. Though the fiscal year started out strong, the turmoil in world financial markets dampened results later in the year. Total operating revenue was up only 1.8%. Parish offertory increased but not at a pace to fund programs at past, not to mention desired, levels. We worked effectively to hold operating expenses marginally above last year despite increasing fuel costs. Unfortunately, this caused us to curtail certain ministries.

The challenge we face as we move to a cluster structure is to make best use of our current resources and to increase them to meet new needs and opportunities. Revenue has increased in recent years because those who give have given more. Church attendance is down and, fortunately, those in attendance have been generous. Reliance on professional lay staff will continue to increase as the number of priests declines. The number of active diocesan priests is now in the low to mid sixties. We had not anticipated reaching that level until 2010. Providing adequate compensation for lay professional staff is a challenge that must be met.

Net revenue from operations reached \$11.9 million. However, a substantial portion of that amount can be attributed to sale of property, sale of investments and insurance company reimbursement for claims. Much of the net operating revenue was erased by property expenditures and an unrealized loss on investments of \$7.5 million, resulting from deteriorating financial market conditions toward the end of the year. Net assets increased by about \$900,000.

#### **Costs for Sexual Abuse**

The cost of sexual abuse is still with us. During Fiscal Year 2008, total costs were \$348,200 for settlements, victim assistance, victim counseling and legal expense. Of that amount, \$129,900 was for settlements. Of the \$348,200, \$274,000 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 shown are parish assets. Though investment assets declined in value by more than \$5.4 million (net of \$7.5 million in unrealized losses and \$2.1 million in realized gains), the overall balance declined only slightly due to the influx of new money. Poor investment performance also caused an increase in the accrued pension obligation.

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 90% of both). One can see the net operating revenue of \$11.9 million and the \$7.5 million unrealized loss on investments.

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.

*(Signature Omitted for Security Purposes)*

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, 2008 and 2007**

<b>ASSETS</b>		
<b>Assets</b>	<b>2008</b>	<b>2007</b>
Cash and cash equivalents	11,304,180	10,549,204
Investments	86,369,100	87,484,281
Due from affiliated organizations	735,645	686,093
Pledges receivable, net of reserve for uncollectible pledges	1,616,714	2,531,116
Accounts receivable	2,025,494	4,057,309
Accrued investment income	125,741	147,018
Other assets	1,616,405	1,215,215
Beneficial interests in trusts held by others	<u>5,128,791</u>	<u>2,996,373</u>
<b>Total assets</b>	<b>108,922,070</b>	<b>109,666,609</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>	<b>2008</b>	<b>2007</b>
Accounts payable and accrued expenses	3,061,234	3,760,976
Other liabilities	1,859,300	2,266,433
Insurance claims payable	2,567,731	3,824,110
Reserve for insurance claims incurred but not reported	2,193,636	1,776,281
Accrued pension obligations	6,717,290	4,630,114
Accrued other postretirement benefits	9,870,917	11,022,568
Deferred revenue	1,728,381	2,385,746
Savings and loan deposits	<u>10,812</u>	<u>10,898</u>
<b>Total liabilities</b>	<b>28,009,301</b>	<b>29,677,126</b>
<b>Net assets</b>		
Unrestricted	28,869,876	27,831,323
Unrestricted - designated	1,399,772	1,375,545
Unrestricted - limited in use - cemetery perpetual care	10,921,446	10,365,331
Temporarily restricted	29,372,770	33,009,427
Permanently restricted	<u>10,348,905</u>	<u>7,407,857</u>
<b>Total net assets</b>	<b>80,912,769</b>	<b>79,989,483</b>
<b>Total liabilities and net assets</b>	<b>108,922,070</b>	<b>109,666,609</b>

(Management Compiled)

**FINANCIAL INFORMATION**

**Exhibit 2: Combined Statement of Activities for the Roman Catholic Bishop of Portland, for the years ended June 30, 2008 and 2007**

<b>Oper. revenues and support:</b>	<b>2008</b>	<b>2007</b>
Collections - freewill offerings	30,146,305	29,841,038
Capital campaign contributions	965,752	1,499,694
Other contributions and bequests	6,582,969	6,445,629
Interest and dividends	4,083,958	3,453,377
Parochial school revenue	15,065,933	14,193,903
Religious education revenues	724,984	376,468
Cemetery operating revenues	1,933,113	2,141,482
Charges for insurance to affiliates	1,368,580	1,906,882
Proceeds from sale of property	1,974,615	1,113,444
Gain/(loss) on sale of investments	2,159,935	1,666,212
Parish fundraising events	1,982,075	1,834,802
Rental income	413,339	591,742
Other revenue	<u>3,990,497</u>	<u>5,096,027</u>
<b>Total operating revenue</b>	<b>71,392,055</b>	<b>70,160,700</b>
<b>Expenses:</b>		
Program services:		
Pastoral	20,648,149	20,311,524
Educational	21,270,136	20,813,531
Social services	1,476,585	1,398,361
Religious pers. development	579,367	698,895
Cemeteries	1,968,363	2,415,690
Other	<u>674,161</u>	<u>587,163</u>
<b>Total program services</b>	<b>46,616,761</b>	<b>46,225,164</b>
Supporting services:		
General and administration	3,805,103	3,434,438
Insurance expense -	4,459,560	3,255,296
Insurance expense - health	4,119,883	4,935,475
Fundraising expenses	<u>457,345</u>	<u>367,741</u>
<b>Total supporting services</b>	<b>12,841,891</b>	<b>11,992,950</b>
<b>Total expenses</b>	<b>59,458,652</b>	<b>58,218,114</b>
<b>Excess (deficiency) of revenue</b>	<b>11,933,403</b>	<b>11,942,586</b>
Pension/health liability	155,059	(2,107,287)
Property and equipment	(3,633,221)	(4,829,637)
Unrealized gain/(loss) on investments	<u>(7,531,955)</u>	<u>5,988,093</u>
<b>Change in unrestricted net assets</b>	<b>923,286</b>	<b>10,993,755</b>
<b>Net assets July 1, 2007</b>	<b>79,989,483</b>	<b>68,995,728</b>
<b>Net assets June 30, 2008</b>	<b>80,912,769</b>	<b>79,989,483</b>

(Management Compiled)

**Exhibit 3: Diocesan Statement of Activities for All Diocesan Departments for the years ended June 30, 2008 and 2007**

<b>Revenues:</b>	<b>2008</b>	<b>2007</b>
Parish Assessments	1,857,807	1,807,643
Bishop's Appeal	3,432,052	3,545,178
Restricted Income	492,137	542,280
Trust Funds	738,384	725,108
Insurance Income	598,650	532,219
Investment Income	<u>285,509</u>	<u>172,881</u>
<b>Total Revenue</b>	<b>7,404,539</b>	<b>7,325,309</b>
<b>Expenses:</b>		
Chancellor's Office	404,170	456,514
Pastoral Planning	133,397	93,176
Catholic Schools	756,740	802,155
Finance	594,189	469,152
Property Management	50,256	59,630
Catechetics	298,481	278,635
Tribunal	220,678	226,241
Youth Ministry	239,241	228,080
Clergy Health & Pension	573,693	563,721
Indian Missions	71,130	84,416
Communications & Public Policy	471,018	481,504
Clergy Education & Development	122,749	160,975
Clergy Relief	239,822	216,718
Diocesan Charities	37,079	43,217
Counseling & Support	35,334	42,526
Bahamas Mission	12,000	12,000
Christian Life Center	21,700	21,700
Development	310,107	315,253
Parish Support	126,898	133,683
Hospital Chaplains	152,068	166,282
Campus Ministry	107,920	107,344
St. Andre's Home	40,000	40,000
Catholic Charities Maine	813,206	813,206
Resource Center	47,066	49,933
Stewardship	64,663	63,957
Vocation Development & Seminarian Education	448,646	561,453
Hispanic Ministry	46,947	45,349
Risk Management	292,994	253,946
Safe Environment	235,600	209,207
Prof Responsibility	70,056	69,066
USCCB Assessment	<u>47,020</u>	<u>52,765</u>
<b>Total Expenses</b>	<b>7,084,868</b>	<b>7,121,804</b>
<b>Excess of Revenue Over Expenses</b>	<b>319,671</b>	<b>203,505</b>

(Management Compiled)