

DIOCESE OF DULUTH

Financial Results Commentary

Fiscal Year ending June 30, 2014

The Diocese of Duluth ended the fiscal year with a positive (favorable) bottom line of \$93,683, compared to a positive bottom line of \$201,362 in the prior year. The favorable result is primarily due to a bequest that the Diocese received. If the bequest had not occurred, the Diocese would have had a slightly negative (unfavorable) bottom line of \$7,566 for the year.

REVENUES

Total revenues decreased by \$472,958 or 12% from the prior year. The primary reason for this change is that the Diocese received less in bequests. Revenues were favorably impacted by an increase in donations to the Annual Seminarian Appeal. Because the Seminarian Appeal did so well, grant money from the Seminarian Endowment Fund was not requested this fiscal year. As a result, grant income which is reported in Other Income decreased from the prior year. If you remove the bequests from the revenue graph, the United Catholic Appeal would comprise 62% of total revenue for the year, compared with 61% in the prior year.

EXPENSES

Total expenses decreased by \$365,279 or 10% from the prior year. However, one-time expenses related to the contribution of property to Newman Ministry occurred in the prior year. If those expenses were removed, total expenses would have decreased 5% from the prior year. Expenses related to the education of seminarians have declined substantially, mostly related to a change in staffing the department and fewer men in the more expensive major seminary. There were eleven men studying for the priesthood during the fiscal year and the same number in the prior year. There were less medical expenses related to the care of priests who were retired or ill. Also, bad debt with parishes declined significantly in the fiscal year, reflecting a lower level which I think will persist in the future. Expenses related to the continuing formation of priests increased from the prior year, mainly related to two priests receiving advanced degrees. Lastly, expenses related to legal counsel increased from the prior year. Since last fall, the Diocese has been named as a Defendant in three lawsuits which allege sexual misconduct by certain priests with minors occurring in the late 1960s and 70s. Legal counsel was retained to provide guidance in responding to and securing agreement of the previous insurance carrier to undertake defense of the Diocese in this litigation. Disagreement with the insurance carriers as to the maximum liability insurance coverage available under the former policies remains in dispute. Approximately \$78,046 was spent on these efforts in fiscal 2014. To date, the insurance carriers have paid the defense costs for the three claims, and no diocesan funds have been used for that purpose.

NATIONAL & SPECIAL COLLECTIONS

The Summary of Collections report indicates that collections taken up for non-diocesan efforts have increased by 14% over the prior year. In particular, people responded generously to those affected by the tornado in Oklahoma and also to the Mission Sunday collection. The economy, in general, continued to improve making the environment favorable for giving. Donors to these collections demonstrate the concern Catholics have for the needs of the Church throughout the world.

ENDOWMENT FUNDS

All three endowment funds sponsored by the Diocese are separately incorporated organizations with the Bishop as the President. The mission of these endowment funds is to provide grants to people and organizations according to the bylaws of each organization. More information about these organizations and their specific mission can be found on the Diocesan website.

The endowment funds all realized good investment returns during the fiscal year which will help maintain future grant levels. In addition, the Seminarian Endowment Fund received four substantial bequests during the fiscal year.

ASSETS & LIABILITIES

Liabilities related to both priest and lay pension plans, as well as the post-retirement benefits for the clergy, remain a concern. Liabilities increased by \$568,232, mainly related to changes in the discount rate and mortality tables used to value the obligations of these plans. Employer contributions to the plans have been increased and other options are being investigated to address the under-funded status of the pension plans.

Assets decreased from the prior year mainly related to the sale of land in Baxter, MN and the impairment of land in Baxter. All Saints Church in Baxter purchased land at fair market value during the fiscal year. Because of the decrease in property values since the original purchase, both the land sold and the adjoining property had to be reported as a loss. Accounts receivable, net of allowances, also increased reflecting the increased amounts owed to the Diocese by parishes.

The financial statements of the Diocese of Duluth are audited each year by an independent, certified public accountant. McGladrey LLP audited the financial statements for the fiscal year ending 6/30/14. Their report can be found on the diocesan website or requested by mail.

The Diocese of Duluth has a Finance Council comprised of mostly lay faithful, who review the audited financial statements and assist the Bishop in his stewardship of the Diocese. Finance Council members bring their experience and training in business and management to the service of the Church.

In closing, income from operations, before pension and post-retirement costs, continued to be positive in fiscal 2014, reflecting diocesan efforts to maintain a balanced budget. Liabilities continue to be a concern and a focus for leadership. In the words of Pope Francis, “the Church is conscious of her call to safeguard and carefully administer her goods in light of her mission of evangelization, with special care for the needy.” On behalf of the Diocese and Bishop Paul Sirba, I thank you for your generous response to the needs of the Church both at your parish and at the Diocesan level.

Franz Hoeffler
Finance Officer of the Diocese of Duluth
In consultation with the Diocesan Finance Council

Diocese of Duluth
Statements of Activities
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues		
United Catholic Appeal	2,116,780	2,118,696
Interest, dividends, grants & other	382,905	414,974
Insurance program	126,954	156,600
Program Registration Revenue	129,914	142,811
Contributions		
Seminarian Appeal	221,411	159,693
Bequest	101,249	488,843
Other Contributions	26,630	27,364
Other Income	408,209	478,029
Total unrestricted revenues	<u>3,514,052</u>	<u>3,987,010</u>
Expenses		
Ministry		
Office for Vocations (Seminarians)	326,877	437,099
Communications Office (Northern Cross)	268,885	267,556
Youth & Young Adult	222,486	215,652
Office for Continuing Formation of Priests	212,919	132,972
Office for Catholic Schools	134,688	135,494
Hospital Ministry	134,660	139,130
Office for Permanent Diaconate	132,055	105,947
Office of the Bishop	118,628	114,722
Campus Ministry at UMD	105,467	84,540
Office for Catechists	74,331	80,723
Office for Native American Ministry	71,156	91,285
Marriage Tribunal	62,670	51,440
Office for Marriage and Family Life	60,395	41,254
Office for the Social Apostolate of the Church	51,319	57,045
Flood relief	42,296	92,710
Office of the Vicar General	32,901	17,911
Office for Liturgy	27,482	26,497
Office for Safe Environment	26,618	24,072
TV Mass	26,295	27,751
Other	44	42
Newman Center contribution of property	-	170,795
	<u>2,132,172</u>	<u>2,314,637</u>
General Expenses		
Business Office	202,908	189,145
Pastoral Center, building & grounds	193,171	198,597
Care of Retired/Disabled Priests	165,635	331,147
Development Office	151,160	140,602
Audit & legal **	138,702	55,795
Insurance Program	119,944	164,534
Diocesan dues & donations	109,247	92,339
Depreciation	101,799	117,408
Bad debts	61,717	136,695
Other	43,914	44,749
	<u>1,288,197</u>	<u>1,471,011</u>
Total Ministry and General Expenses	<u>3,420,369</u>	<u>3,785,648</u>
Income (loss) from operations	<u>93,683</u>	<u>201,362</u>

** See the Expense section of the Commentary for discussion on legal expenses.

**Endowment Funds of the Diocese of Duluth
Statement of Activities
Year Ended June 30, 2014**

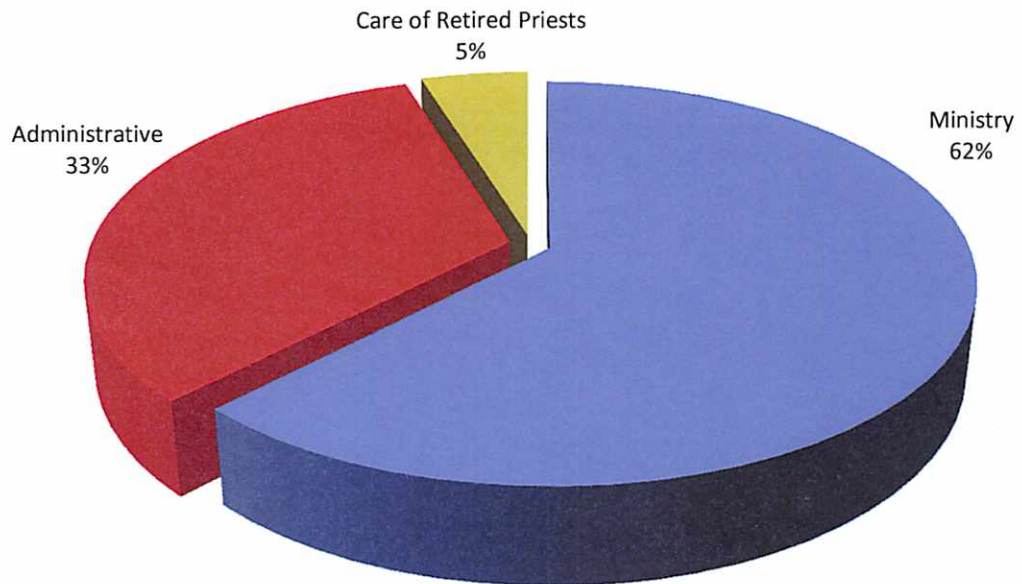
	Human Life and Development Fund	Seminarian Endowment Fund	Catholic Religious Education Endowment Fund
Beginning Net Assets	1,561,164	4,567,621	5,651,657
Revenue			
Investment Income	267,090	767,061	907,658
Pledges/Contributions	650	542,321	2,342
Total Revenue	<u>267,740</u>	<u>1,309,382</u>	<u>910,000</u>
Expenses			
Grants	(41,000)	-	(148,069)
Operating Expenses	(2,206)	(3,668)	(2,464)
Total Expenses	<u>(43,206)</u>	<u>(3,668)</u>	<u>(150,533)</u>
Ending Net Assets	<u><u>1,785,698</u></u>	<u><u>5,873,335</u></u>	<u><u>6,411,124</u></u>

**Diocese of Duluth
Summary of Collections
Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<u>Annual National Collections</u>		
Holy Land (Good Friday)	65,684	60,370
Propagation of Faith (Mission Sunday)	52,038	29,682
Catholic Relief Services	51,253	52,910
Retirement Fund for Religious	50,170	53,052
Missionary Cooperatives	43,196	52,187
Holy Father's Collection (Peter's Pence)	40,590	33,724
Black & Indian Missions	39,947	29,733
Latin American	37,257	31,832
Campaign for Human Development	33,980	35,677
Rice Bowl	32,998	25,198
Catholic Home Mission	20,486	13,884
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<i>Total Annual Collections</i>	467,599	418,249
 <u>Special Collections</u>		
Oklahoma Storm	31,151	
Kingstown Appeal	21,750	28,161
Hurricane Sandy	1,273	10,103
Japan Tsunami	274	
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<i>Total Special Collections</i>	54,448	38,264
 Total of All Collections	 <u><u>522,047</u></u>	 <u><u>456,513</u></u>

<p>The financial statements of the Diocese of Duluth are audited by the independent accounting firm of McGladrey. For a copy of their detailed report, please check out the Diocesan website www.dioceseduluth.org or request a hard copy by writing the Diocesan Business Office at 2830 E Fourth St. Duluth, MN 55812</p>
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Diocesan Expenses for Fiscal 2014



Diocesan Income for Fiscal 2014

