

DIOCESE OF DULUTH

Financial Results Commentary

Fiscal Year ending June 30, 2015

The Diocese of Duluth ended the fiscal year with a positive (favorable) operating bottom line of \$348,604, compared to a positive bottom line of \$93,683 in the prior year. The favorable change mainly relates to lower expenses connected with our insurance program and bad debt, combined with increased grant revenue.

REVENUES

Total revenues increased by \$129,179 or 3.7 percent from the prior year. Revenues were favorably impacted by increases in the Seminarian Appeal, Program Registrations, and grant funding. Lower bequest contributions offset the increases. The United Catholic Appeal comprises 60 percent of total revenue for both the current and prior year.

EXPENSES

Total expenses decreased by \$126,742 or 3.7 percent from the prior year. Bad debt with parishes declined significantly in the fiscal year, reflecting progress in resolving old debts owed to the Diocese. Expenses related to the blanket insurance program decreased as a result of lower self-insured property losses. Moderate weather had a big impact on this change. Lastly, expenses related to legal counsel decreased from the prior year. The Diocese has been named as a defendant in six 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 \$53,416 was spent on these efforts in fiscal 2015, compared to \$78,046 in the prior year. Through 6/30/15, the insurance carriers have paid most of the defense costs for the claims.

ENDOWMENT FUNDS

All three endowment funds sponsored by the Diocese are separately incorporated organizations with the bishop as 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 modest investment returns during the fiscal year to help maintain future grant levels. In addition, the Seminarian Endowment Fund received nearly \$35,000 in bequests during the fiscal year, but also had nearly \$27,000 in bad debt on a pledge.

ASSETS & LIABILITIES

Liabilities related to both priest and lay pension plans, as well as the post-retirement benefits for the clergy, remain a concern. Long Term Liabilities decreased by \$100,952 from the prior year, the result of unfavorable changes in mortality and medical cost trends offset by a change in the

retiree medical program. Employer contributions to the pension plans have been increased and other options are being investigated to address the under-funded status of the pension plans.

Total assets were essentially unchanged compared to the prior year. Accounts receivable, net of allowances, decreased reflecting progress by parishes in paying down old debt. Also, the Diocese no longer has any outstanding loans to 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 6/30/15. 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. The names of the finance council members can be found on the diocesan website.

Income from operations, before pension and post-retirement costs, continued to be favorable in fiscal 2015, 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, “we have been entrusted with a great responsibility, and this is why God’s people rightly expect accountability from us but the true worth of our apostolate is measured by the value it has in God’s eyes, to see and evaluate things from God’s perspective...” On behalf of Bishop Paul D. Sirba and the Diocese, I thank you for your generous response to the needs of the Church both at your parish and at the Diocesan level.

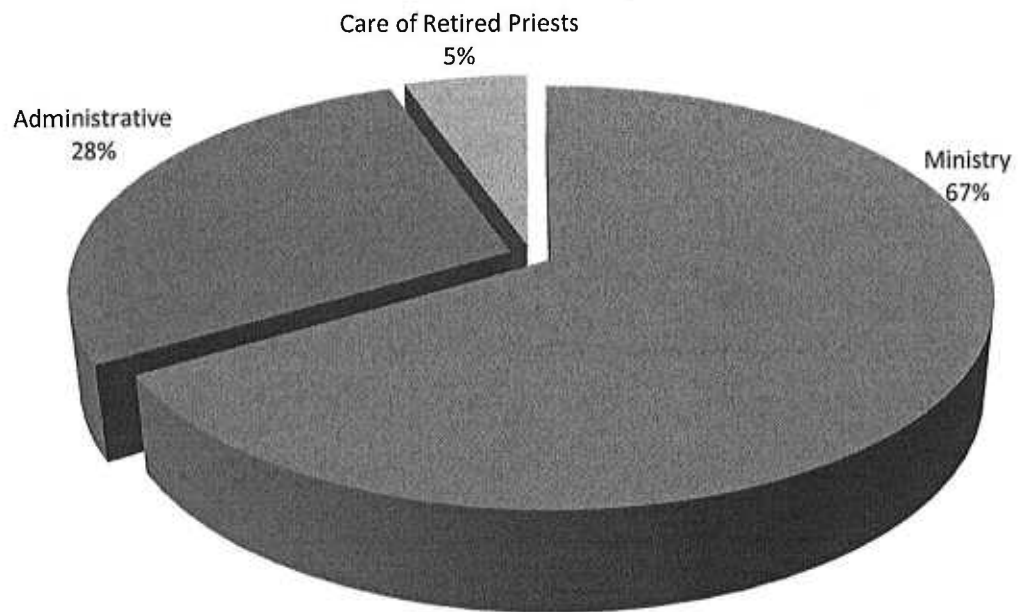
Franz Hoeffler
Finance Officer of the Diocese of Duluth
In consultation with the Diocesan Finance Council

Diocese of Duluth
Statements of Operations
Years Ended June 30, 2015 and 2014

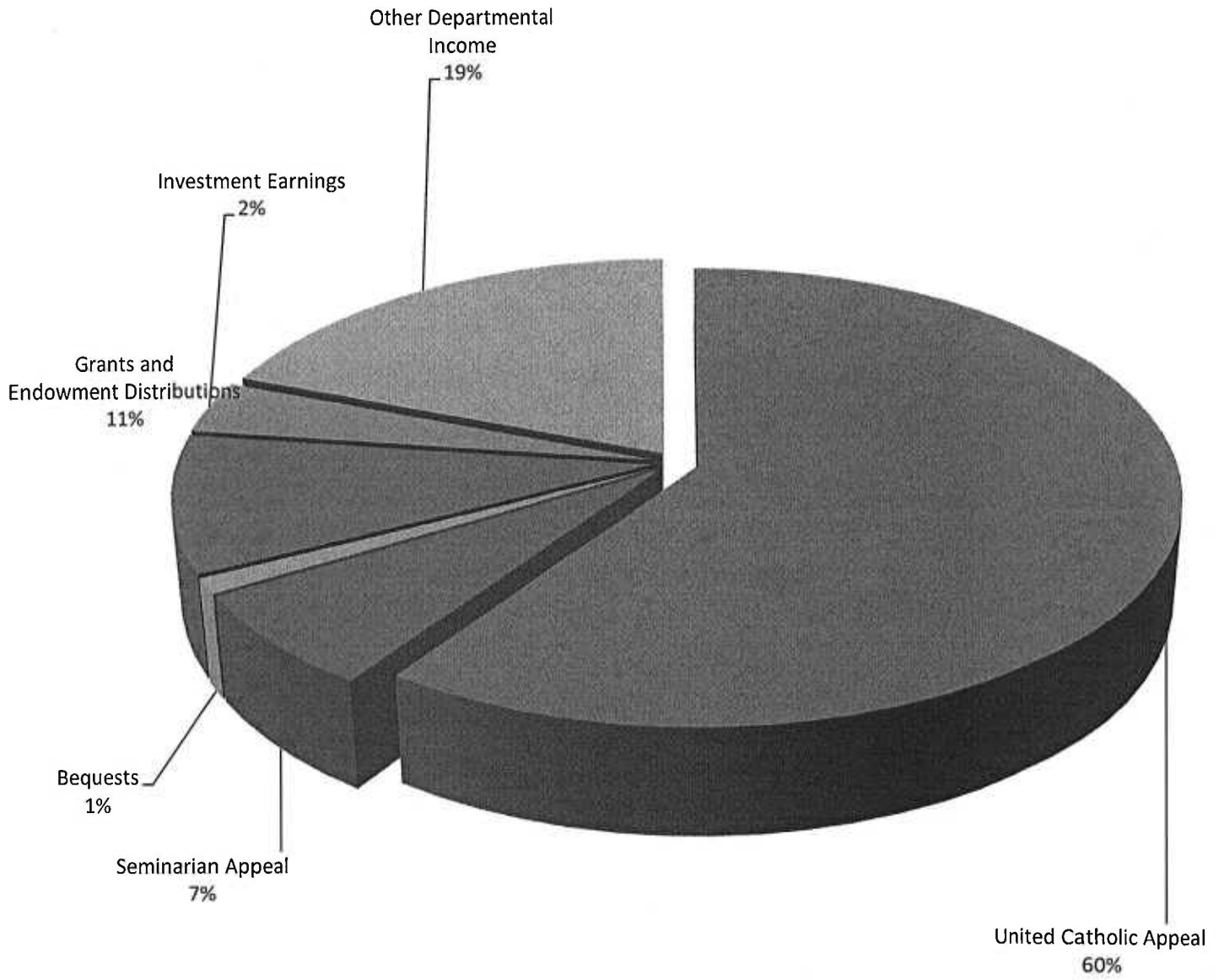
	<u>2015</u>	<u>2014</u>
Revenues		
United Catholic Appeal	2,174,668	2,116,780
Interest, dividends, grants & other	318,489	385,605
Insurance program	127,019	126,954
Program Registration Revenue	186,890	129,914
Contributions		
Seminarian Appeal	245,581	221,411
Bequest	39,466	101,249
Other Contributions	37,385	23,930
Other Income	513,733	408,209
Total unrestricted revenues	<u>3,643,231</u>	<u>3,514,052</u>
Expenses		
Ministry		
Office for Vocations (Seminarians)	315,105	326,877
Communications Office (Northern Cross)	268,176	268,885
Youth & Young Adult	213,608	222,486
Office for Continuing Formation of Priests	209,017	212,919
Office for Catholic Schools	145,379	134,688
Hospital Ministry	172,285	134,660
Office for Permanent Diaconate	118,345	132,055
Office of the Bishop	124,171	118,628
Campus Ministry at UMD	120,829	105,467
Office for Catechists	83,730	74,331
Office for Native American Ministry	76,510	71,156
Marriage Tribunal	66,124	62,670
Office for Marriage and Family Life	78,026	60,395
Office for the Social Apostolate of the Church	80,740	51,319
Flood relief		42,296
Office of the Vicar General	25,508	32,901
Office for Liturgy	27,236	27,482
Office for Safe Environment	44,168	26,618
TV Mass	25,500	26,295
Other	14	44
	<u>2,194,471</u>	<u>2,132,172</u>
General Expenses		
Business Office	240,879	202,908
Pastoral Center, building & grounds	177,789	193,171
Care of Retired/Disabled Priests	177,306	165,635
Development Office	120,679	151,160
Audit & legal **	102,771	138,702
Insurance Program	62,200	119,944
Diocesan dues & donations	111,100	109,247
Depreciation	109,362	101,799
Bad debts	(39,190)	61,717
Other	37,260	43,914
	<u>1,100,156</u>	<u>1,288,197</u>
 Total Ministry and General Expenses	 3,294,627	 3,420,369
 Income (loss) from operations	 <u>348,604</u>	 <u>93,683</u>

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

Diocesan Expenses for Fiscal 2015



Diocesan Income for Fiscal 2015



**Endowment Funds of the Diocese of Duluth
Statement of Activities
Year Ended June 30, 2015**

	Human Life and Development Fund	Seminarian Endowment Fund	Catholic Religious Education Endowment Fund
Beginning Net Assets	1,785,700	5,873,334	6,411,123
Revenue			
Investment Income	9,511	9,923	21,722
Pledges/Contributions	800	39,875	498
Total Revenue	<u>10,311</u>	<u>49,798</u>	<u>22,220</u>
Expenses			
Grants	(58,500)	(65,000)	(173,964)
Operating Expenses	(4,331)	(28,714)	(2,775)
Total Expenses	<u>(62,831)</u>	<u>(93,714)</u>	<u>(176,740)</u>
Ending Net Assets	<u><u>1,733,180</u></u>	<u><u>5,829,418</u></u>	<u><u>6,256,603</u></u>

The financial statements of the Diocese of Duluth are audited by McGladrey LLP. 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

**Diocese of Duluth
Summary of Collections
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<u>Annual National Collections</u>		
Missionary Cooperatives	62,740	43,196
Holy Father's Collection (Peter's Pence)	54,428	40,590
Holy Land (Good Friday)	52,659	65,684
Catholic Relief Services	47,640	51,253
Propagation of Faith (Mission Sunday)	46,698	52,038
Retirement Fund for Religious	43,846	50,170
Campaign for Human Development	35,278	33,980
Latin American	31,534	37,257
Rice Bowl	30,023	32,998
Catholic Home Mission	28,732	20,486
Black & Indian Missions	27,130	39,947
<i>Total Annual Collections</i>	460,708	467,599
<u>Special Collections</u>		
Oklahoma Storm		31,151
Kingstown Appeal	24,794	21,750
Hurricane Sandy		1,273
Nepal Earthquake Relief	31,200	
Middle East Relief	51,470	
Japan Tsunami		274
<i>Total Special Collections</i>	107,464	54,448
Total of All Collections	568,172	522,047