

DIOCESE OF DULUTH

Financial Results Commentary

Fiscal Year ending June 30, 2017

The Diocese of Duluth ended the fiscal year with a positive (favorable) operating bottom line of \$73,990, compared to a positive bottom line of \$62,994 in the prior fiscal year. However, there were significant negative changes affecting diocesan savings, ie non-operating activity. Costs associated with the bankruptcy such as legal fees and US Trustee fees cost the diocese \$1,766,207 during the fiscal year compared to \$818,319 in the prior fiscal year. The diocesan savings have and will continue to be utilized to pay these fees. As of June 30, 2017, the balance in the savings account was \$1,337,919. We anticipate that the balance of the savings account will be used for bankruptcy related expenses, including legal fees and post confirmation expenses. The day to day ministries of the diocese have not been disrupted by the bankruptcy to date.

A financial audit was not completed for fiscal years 2017 or 2016, in light of the uncertainty with the bankruptcy. Audits will begin again after completion of the bankruptcy proceedings.

REVENUES

Total operating revenues increased by \$75,166 or 2 percent from the prior year. The change is primarily related to an increase in event registrations income and bequests. The United Catholic Appeal contributed 60% of the total funding to the diocesan operations which is similar to the prior year. Catholics continue to support the appeal, keeping the daily operations of the diocese operating as normal.

EXPENSES

Total operating expenses increased by \$64,170 or 2 percent from the prior year. The Office for Vocations had increased costs to send seminarians to World Youth Day of approximately \$55,000. The Insurance Program had increased costs associated with more self-insured losses and increased background check fees, with an impact of approximately \$59,000. The care of retired/disabled priests increased by \$80,000 over the prior year. Lower costs associated with the formation of priests, development office and the publication of the Northern Cross offset cost increases. Overall, expenses were managed in a disciplined way by staff which is demonstrated by a favorable variance of \$23,272 to total budgeted expenses.

ENDOWMENT FUNDS

All three endowment funds sponsored by the diocese are separately incorporated organizations with the Bishop as president. The mission of these organizations is to provide grants to people and organizations, enabling them to serve our communities in ways that are consistent with the mission of the Church. More information about these organizations and their specific missions can be found on the diocesan website under the "Endowments" menu option.

The endowments all experienced good investment results for the fiscal year, coming close to benchmarks in most asset classes. The investment committee continues to monitor long term performance and explore options. All three organizations received minimal donor contributions

during the fiscal year. People seeking to support these endowment organizations can find out more information on the diocesan website or contact the Development Office at the diocese. These organizations provided over \$320,000 in grants to various causes during the fiscal year, having a significant impact in our communities.

ASSETS & LIABILITIES

Liabilities related to both the Lay and Priest defined benefit pension plans remain a concern and focus of oversight. According to the latest actuarial report, a modest improvement in the funding of both plans was realized in the last year. Overall, diocesan liabilities remained stable compared to the prior year. Accrued legal fees are scheduled to be paid in October, after the fiscal year end.

As of June 30, 2017, total assets decreased by approximately \$1,624,000 compared to the prior year. A copy of the un-audited balance sheet can be found on the diocesan website.

The Diocese of Duluth has a Finance Council comprised of the Bishop, Vicar General and lay faithful, who review the financial results and assist the bishop in his stewardship of the diocese. Finance Council members bring their skill in business and management to the service of the Church. The names of the Finance Council members can be found on the diocesan website.

In reflecting on the past fiscal year, I appreciate so much the many generous benefactors who continue to support the ministries of the diocese. Efforts to bring the bankruptcy to a conclusion continue to proceed while the dedicated staff of the diocese remain committed to their work of evangelization and service to the people in our diocese. On behalf of Bishop Paul D. Sirba and the diocese, I thank you for your generous response to the needs of the Church.

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

Diocese of Duluth
Statements of Operations (Un-Audited)
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues		
United Catholic Appeal	2,207,031	2,179,052
Grants & Gifts Released from Restrictions	222,691	239,331
Insurance program	146,691	136,988
Program Registration Revenue	309,536	163,284
Contributions		
Seminarian Appeal	321,423	224,317
Bequest	68,787	24,257
Other Contributions	24,960	35,745
Other Income	386,421	609,400
Total revenues	3,687,540	3,612,374
Expenses		
Ministry		
Office for Vocations (12 men in seminary)	434,964	379,452
Youth & Young Adult	292,185	252,921
Communications Office (Northern Cross)	201,776	278,082
Office for Catholic Schools	141,227	141,299
Hospital Ministry	137,857	137,796
Campus Ministry at UMD	118,770	114,728
Office of the Bishop	115,264	123,888
Office for Permanent Diaconate	108,088	122,770
Office for Marriage and Family Life	104,277	105,980
Office for Catechesis	93,089	86,605
Office for Native American Ministry	76,364	79,521
Marriage Tribunal	72,309	61,347
Office for the Social Apostolate of the Church	70,293	70,467
Office for Continuing Formation of Priests	54,128	106,864
Office for Safe Environment	33,374	37,775
Office of the Vicar General	31,452	29,999
Office for Liturgy	26,784	27,163
TV Mass	25,250	25,000
Other	17,158	13,656
Total Ministry Expenses	2,154,610	2,195,311
Support Services		
Care of Retired/Disabled Priests	347,539	268,341
Business Office	313,426	262,722
Pastoral Center, building & grounds	197,160	209,708
Insurance Program	169,889	111,199
Depreciation	110,589	106,479
Diocesan dues & donations	105,826	107,153
Audit & legal	78,741	93,548
Development Office	72,066	125,524
Bad debts	35,000	(6,000)
Other	28,705	75,395
Total Support Services Expense	1,458,940	1,354,069
Total Ministry and Support Expenses	3,613,550	3,549,380
Income (loss) from operations	73,990	62,994
Non-Operating Activities		
Chapter 11 Bankruptcy Expenses	(1,766,207)	(818,389)
Investment Activity (net of fees)	60,627	(468,712)
Total Non-Operating Income (loss)	(1,705,580)	(1,287,101)

DIOCESE OF DULUTH
Statement of Financial Position (Un-Audited)
Years Ended June 30, 2017, 2016

	2017	2016
Assets		
Current Assets		
Cash & Equivalents		
General Operating	2,091,336	3,608,235
National Collections	141,799	102,301
Benefits Agency	157,011	141,990
Accounts Receivable	230,338	222,063
Accrued Interest Receivable	-	0
Prepaid Expenses	67,684	126,761
Total Current Assets	2,688,168	4,201,350
Other Assets		
Investments (note 1)	227,539	219,810
Notes & Loans Receivable (Note 2)	11,770	15,045
	239,309	234,856
Property & Equipment	455,671	571,148
Total Assets	3,383,148	5,007,353
Liabilities & Net Assets		
Current Liabilities		
Accounts Payable	600,541	719,194
Accrued Payroll & Related Liabilities	66,025	60,838
National Collections	141,799	102,301
Benefits Agency	27,106	11,485
Trust Accounts	67,735	97,632
Other Current Liabilities	128,102	115,650
Total Current Liabilities	1,031,308	1,107,099
Long Term Liabilities		
Other Post Retirement & Pension Benefits (note 3)	11,987,841	11,987,841
Total Liabilities	13,019,149	13,094,940
Net Assets (Deficit)		
Unrestricted	(10,594,500)	(8,887,909)
Temporarily Restricted	858,498	700,322
Permanently Restricted	100,000	100,000
Total Net Assets (Deficit)	(9,636,002)	(8,087,587)

DIOCESE OF DULUTH
Notes to the financial statements

Note 1. Investments

Includes both Money Market and equities/bonds

Note 2. Notes and Loans Receivable

Includes both long term and current maturities

Note 3. Other Post Retirement & Pension Benefits

Includes both current and long term liabilities

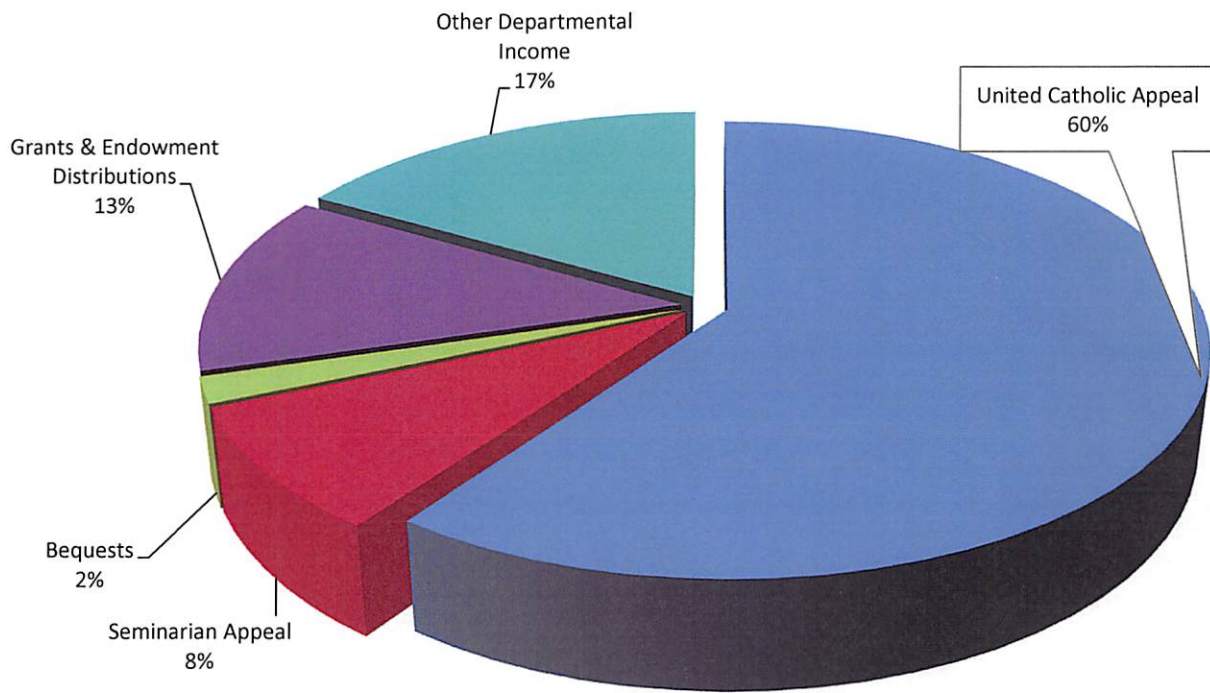
**Endowment Funds of the Diocese of Duluth
Statement of Activities (Un-Audited)
Year Ended June 30, 2017**

	Human Life and Development Fund	Seminarian Endowment Fund	Catholic Religious Education Endowment Fund
Beginning Net Assets	1,613,599	6,534,428	5,811,710
Revenue			
Investment Income	207,728	891,098	745,040
Pledges/Contributions	1,400	16,960	831
Total Revenue	209,128	908,058	745,871
Expenses			
Grants	(57,423)	(68,000)	(195,477)
Operating Expenses	(4,762)	(2,143)	(2,497)
Total Expenses	(62,185)	(70,143)	(197,974)
Ending Net Assets	1,760,542	7,372,343	6,359,607

**Diocese of Duluth
Summary of Collections
Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<u>Annual National Collections</u>		
Holy Land (Good Friday)	51,809	50,447
Catholic Relief Services	46,870	38,708
Retirement Fund for Religious	46,260	45,911
Propagation of Faith (Mission Sunday)	41,280	39,947
Missionary Cooperatives	37,256	61,555
Latin American	33,202	30,250
Holy Father's Collection (Peter's Pence)	29,535	41,313
Black & Indian Missions	29,220	27,590
Catholic Home Mission	28,941	18,752
Campaign for Human Development	26,436	32,516
Rice Bowl	26,154	24,061
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<i>Total Annual Collections</i>	396,963	411,051
<u>Special Collections</u>		
Kingstown Appeal	32,621	21,209
2015-16 US Storms (Calamities)	-	25,731
Louisiana Flood Relief	36,937	
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<i>Total Special Collections</i>	69,558	46,940
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Total of All Collections	466,521	457,991

Diocesan Revenue for Fiscal 2017



Diocesan Expenses for Fiscal 2017

Serving approximately 52,000 Catholics in NE Minnesota

