

# ANNUAL REPORT

ARCHDIOCESE OF ST. PAUL AND MINNEAPOLIS  
FISCAL YEAR 2012



## Letter from Archbishop John Nienstedt

Dear Friends in Christ,

The Catholics of this local Church are generous with their time, talent and treasure, and your giving spirit makes possible the many faith-filled good works carried out across our archdiocese. This sense of stewardship shines again in the annual financial summary report for the archdiocese, which I am pleased to present to you.

This report covers the 2012 fiscal year, which ended June 30. The financial statements depict a steadily improving financial condition. Thanks to you, support for ministry across this great archdiocese remains strong.

I am grateful to all local Catholics for their continuing and generous support not only to the Catholic Services Appeal, but also to their parishes in 2012. This generous support allowed our total revenue for the past fiscal year to slightly exceed revenue for the previous year, despite the persistent economic uncertainty. Parish assessments grew by 6 percent in fiscal 2012 as compared to fiscal 2011, and gifts to the Catholic Services Appeal grew by 11 percent in fiscal 2012 as compared to the previous year.

Operating expenses increased 1.7 percent in 2012 over the previous year. This was due in part to continued improvements to data and accounting systems at the archdiocesan level that benefit parishes and schools across the archdiocese. The increase also reflects streamlining and augmentation of communications functions, enhancement of Catholic schools marketing efforts and foundational work for our Rediscover: evangelization and catechesis initiative. Your support made all of this and more possible.

In addition to recent high-profile programs and initiatives of the archdiocese, there are the continued efforts to support our ongoing obligations to our entire faith community:

- Support for clergy who attend to your sacramental and spiritual needs;
- Support for the Catholic schools, as well as organizational support for faith formation and youth ministry programs that build up the faith of our young people;
- Support for Latino ministry outreach to support the needs of local Spanish-speaking Catholics — including a new catechetical institute, a biblical institute and a leadership institute;
- Support for the work of Catholic Charities to help the needy, the elderly, immigrants and at-risk youth;
- Support for the many marriage, family, and life programs and events that serve to strengthen marriage, build up families and promote the dignity of life from conception to natural death;
- Support for retired priests and religious after a life of dedication to others.

There remains a certain level of risk associated with the sustainability of parish and school operations. Parish assessments support essential functions, so financial instability at the parish level can threaten this essential support. We are working with parishes and schools to improve sustainability through ongoing evaluation, greater accountability and improved collaboration as outlined in the 2010 Strategic Plan. We've made significant progress in this area.

I wish to especially thank members of the Archdiocesan Finance Council for their continued diligence in financial oversight.

And I wish to thank you for your continued support.

Together, we are making this local Church stronger and more responsive to the pastoral needs of all of our brothers and sisters in Christ.

Together, we can ensure a sustainable and vibrant future for the parishes, schools and other Catholic institutions across the 12 counties of the archdiocese.

Together, we are making the name of Christ and his Church known and loved through our community united in faith, hope and love.

Cordially yours in Christ,

**The Most Reverend John C. Nienstedt**  
Archbishop of St. Paul and Minneapolis



ARCHDIOCESE  
OF  
SAINT PAUL &  
MINNEAPOLIS

United in Faith, Hope and Love

See pages 16B-17B  
for the financial summary information

# The Archdiocese of St. Paul and Minneapolis

## Condensed Statement of Activities as of June 30, 2012 and 2011

|  | 2012               | 2011               |
|--|--------------------|--------------------|
| <b>Revenue</b>                                     |                    |                    |
| Contributions                                      | \$ 4,052,128       | \$ 3,316,849       |
| Parish assessments                                 | 13,528,112         | 12,709,785         |
| Catholic Services Appeal,<br>net of parish rebates | 7,586,403          | 6,859,208          |
| Program revenues, fees and other                   | 5,681,255          | 5,466,881          |
| Investment income and gains (losses)               | 1,227,658          | 3,610,690          |
| General Insurance Program                          | 8,180,559          | 7,987,814          |
| <b>Total Revenue</b>                               | <b>40,256,115</b>  | <b>39,951,227</b>  |
| <b>Expense</b>                                     |                    |                    |
| Archdiocesan Programs                              | 26,989,381         | 26,550,050         |
| General and Administrative                         | 2,337,261          | 2,002,479          |
| Fundraising  | 1,241,460          | 1,136,679          |
| General Insurance Program                          | 6,591,727          | 6,837,095          |
| <b>Total Expense</b>                               | <b>37,159,829</b>  | <b>36,526,303</b>  |
| <b>Increase (Decrease) in Net Assets</b>           | <b>\$3,096,286</b> | <b>\$3,424,924</b> |

## Condensed Statement of Financial Position as of June 30, 2012 and 2011

|  | 2012                 | 2011                 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Cash and equivalents   | \$ 6,666,786         | \$ 12,758,008        |
| Restricted cash  | —                    | 167,835              |
| Receivables, net of reserves   | 8,635,064            | 8,106,228            |
| Loans receivables from parishes<br>and related entities, net of reserves | 1,980,540            | 7,423,029            |
| Investments and interest in perpetual trusts                             | 18,822,143           | 18,452,313           |
| General Insurance Program assets   | 9,150,469            | 4,846,981            |
| Prepaid expenses   | 419,061              | 210,537              |
| Land, property and equipment, net  | 10,304,976           | 9,562,209            |
| <b>Total Assets</b>  | <b>\$ 55,969,039</b> | <b>\$ 61,527,140</b> |
| <b>Liabilities and Net Assets</b>  |                      |                      |
| <b>Liabilities</b>   |                      |                      |
| Accounts payable and accrued liabilities                                 | \$ 3,216,065         | \$ 5,457,880         |
| General Insurance Program liabilities                                    | 4,537,132            | 4,662,453            |
| Catholic Services Appeal rebates to parishes                             | 1,385,825            | 1,723,437            |
| Collections held for others  | 225,524              | 568,525              |
| Notes payable  | —                    | 5,740,000            |
| Deposits due parishes and other<br>related entities                      | 3,670,963            | 3,537,601            |
| <b>Total Liabilities</b>   | <b>\$ 13,035,509</b> | <b>\$ 21,689,896</b> |
| <b>Net Assets</b>  |                      |                      |
| Unrestricted   |                      |                      |
| Designated to General Insurance Program                                  | 15,354,928           | 13,766,057           |
| Other  | 23,465,950           | 22,174,636           |
| Temporarily Restricted   | 2,338,570            | 2,014,353            |
| Permanently Restricted   | 1,774,082            | 1,882,198            |
| <b>Total Net Assets</b>  | <b>\$ 42,933,530</b> | <b>\$ 39,837,244</b> |
| <b>Total Liabilities and Net Assets</b>                                  | <b>\$ 55,969,039</b> | <b>\$ 61,527,140</b> |

## Notes to condensed financial statements for the years ended June 30, 2012 and 2011

### Organization

The St. Paul and Minneapolis Archdiocese is an ecclesiastical division of the Roman Catholic Church comprised of 12 Minnesota counties. It was established in 1850 and elevated to an archdiocese in 1888.

The Archdiocese of St. Paul and Minneapolis (the "Archdiocesan Corporation") was incorporated under the laws of the State of Minnesota as a religious corporation in 1883. The Archdiocesan Corporation exists as part of the jurisdiction of its archbishop over the spiritual and temporal affairs of the ecclesiastical division. While the Archdiocesan Corporation owns temporal goods (personal and real property) and conducts spiritual and charitable activities of its own, it does not own parishes, schools and other separately administered and organized operations of the Roman Catholic Church within the geographic area.

### Basis of presentation

The financial statements include all administrative and program offices and departments of the Archdiocesan Corporation. The financial statements do not include the assets, liabilities and operations of the parishes, schools and other separately incorporated and administered operations of the Roman Catholic Church within the archdiocese. The Archdiocesan Corporation is related to these organizations and entities through some common board members.

The financial statements recognize restrictions on certain net assets of the Archdiocesan Corporation. Where contributions carry temporary or permanent restrictions on use, the related net assets are carried separately.

The Archdiocesan Corporation secures comprehensive uniform risk protection for affiliated entities throughout the archdiocese, including parishes and schools through an activity known as the Archdiocesan General Insurance Program.

The program has a separate committee of advisors. In addition to the accounts identified in the condensed financial statements, the program has \$10.7 million of funded reserves that are co-invested with other funds of the Archdiocesan Corporation. While assets and reserves for the program are shown

on the financial statements of the Archdiocesan Corporation, they are held for the benefit of the program and its participants.

### Financial statements

The financial statements of the Archdiocese of St. Paul and Minneapolis for the above periods were audited by independent certified public accountants who rendered an unqualified opinion on the financial statements. The accompanying condensed statements of financial position and activities are prepared from the audited financial statements but, in the interest of brevity, do not contain a similar level of detail and are not accompanied by complete explanatory footnotes. Accordingly, the opinion of the independent certified public accountants is not presented.

### Other programs

The Archdiocesan Corporation acts as a conduit for special collections in the parishes designated by the United States Conference of Catholic Bishops ("USCCB National Collections") or for local purposes. During 2012, \$1.7 million was contributed by parish communities for such collections and sent to the Archdiocesan Corporation for remittance. This amount includes \$200,000 for service of debt at the Cathedral parish resulting from the building restoration.

The Growing In Faith Campaign was initiated in 2001 and is currently in the collection phase. While the Archdiocesan Corporation is not a direct beneficiary of the campaign, its development department manages the campaign effort and a separate cash function. The goal of the campaign was \$115 million and as of June 30, 2012 approximately \$110 million had been pledged which, after allowances and discounts, had an estimated realizable present value of \$87 million. Pledges of approximately \$80,000 were collected in 2012 and \$1.3 million is expected subsequent to June 30, 2012.

### Commitments

The Archdiocesan Corporation has entered into a number of contracts with lending institutions to assist affiliated parishes and schools with credit for facility additions. This includes loan guarantees that aggregate approximately \$69 million at June 30, 2012.

# Archdiocesan finance officer report

*The following comments elaborate on the condensed financial statements of the Archdiocese of St. Paul and Minneapolis for the fiscal year ended June 30, 2012*

By John F. Bierbaum

At June 30, 2012, the financial condition of the archdiocese is improved, and the financial result of activities in the fiscal year then ended resulted in a surplus of \$3.1 million. The bulk of the surplus can be attributed to the insurance program (\$1.6 million) and income from investments (\$1.2 million).

## Revenue

Total revenue for 2012 reached \$40,256,000 as compared to \$39,951,000 in 2011.

The primary sources of revenue, parish assessments and the Catholic Services Appeal (CSA), were up 6 percent and 11 percent respectively in 2012. The increase in assessments is reflective of increased contributions at parishes during the modest economic recovery that began in 2010.

CSA revenue, as reported, are after deductions for rebates to parishes and allowances. On a pre-deduction basis, the CSA generated \$9.7 million, greater than goal and the prior year by \$200,000. Net CSA income increased more than \$200,000 because of a change in the methodology for setting parish goals and rebate qualification. Both speak to the generosity of the Catholic community despite the severe economic conditions and slow recovery.

Contributions through unsolicited gifts and bequests increased \$736,000 while returns on invested assets decreased \$2,383,000 as rates moderated.

## Operating expenses

Operating expenses totaled \$37,160,000 in 2012 as compared to \$36,526,000 in 2011. Program costs increased \$440,000, while other costs increased \$194,000.

Following is a narrative that explains the purpose of the various offices of the archdiocese. Accompanying the narrative is a chart depicting the expenditures by program, including a correlation of how CSA revenue was spent for fiscal year 2012 and 2011.

The archdiocese accomplishes its mission through the following offices and programs:

## Programs and other activities

### Clergy Services

The role of this department is to assist the archbishop in the needs and supervision of clergy in all aspects of ministry and pastoral care which includes the following:

- Center of Clergy Formation: Institute of Ongoing Formation for Clergy and the Institute of Diaconate Formation. Each entity of the center will provide an integrated approach to priestly and diaconate formation to include newly ordained priest gatherings, new pastors' programs and ongoing formation opportunities for the presbyterate/diaconate.

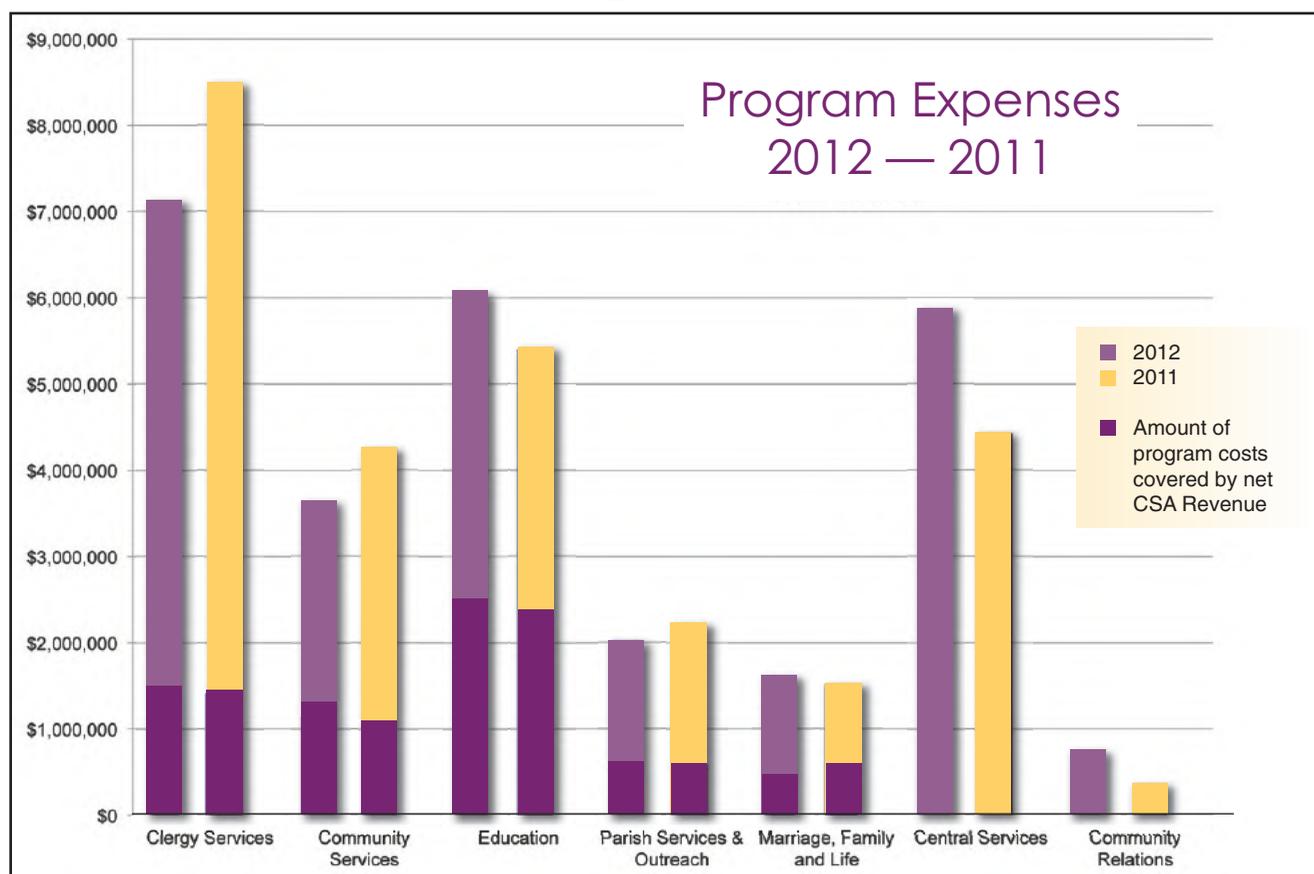
- Clergy education: St. Paul Seminary School of Divinity tuition, room and board; St. John Vianney Seminary room and board; Graduation Education program; continuing education; sabbatical program; international enculturation; and a bi-annual presbyteral assembly.

- Chaplaincies: Hospital chaplaincy; prison chaplaincy; and oversight of the Comprehensive Priest Assignment Board.

- Supervision of various specialized ministries: Support for above services and including the following offices and related organizations: International clergy, Leo C. Byrne Residence, retired clergy, Office of Vocations, and clergy medical and dental and other benefits and support.

### Community Services

The agencies within this department help men, women and children most in need within the local communities, including the poor, hungry, homeless and those with special needs. The archdiocese provides cash and non-cash support to Catholic Charities and CommonBond Communities (a housing agency for low- and moderate-income families, the elderly and the handicapped.) In addition, support is provided to parishes stressed by debt



or operational issues.

### Education

The Department of Education includes offices that support the education and formation of children within the Archdiocese of St. Paul and Minneapolis. This support would include: Schools administration, catechesis and providing programmatic oversight of the Legacy Grant, an initiative supporting and transforming our Catholic urban schools. Major responsibilities of this department are to identify systemic needs of the Catholic school system and also to provide subsidies and grants to archdiocesan parish rural and elementary schools, archdiocesan high schools and the campus ministries programs.

### Parish Services and Outreach

The Parish Services and Outreach department provides an outreach ministry to members of the archdiocesan community, many of whom are minority groups, specialized ministries and coalitions. Included are the offices of, or subsidies to: Hispanic ministry, Indian ministry, Venezuelan mission, and Archdiocesan Council of Catholic Women. Additionally, included is the Office of Parish Services which supports the work of the Strategic Planning initiative, parish consulting archdiocesan offices, outreach ministries and parish personnel.

### Central Services

The Department of Central Services provides support and services to the central corporation staff and the parishes. The department includes the offices of, or subsidies to: finance, accounting services, printing services, communications, computer services, metropolitan tribunal, human resources, special services, maintenance, other collections and diocesan dues. Additionally, this department provides administrative services to the General Insurance Program, the lay and priest pension plans, the archdiocesan medical benefit plan, and other centralized programs within the archdiocesan community.

### Marriage, Family and Life

This department provides support by assisting the laity and parishes through the offices and programs of: marriage preparation, laity, family, youth and young adults, respect life, pro-life groups, biomedical ethics and outreach for disabilities. This year, the archdiocese also provided significant support for a broad coalition to support marriage in the state of Minnesota. In addition, World Youth Day, National Catholic Youth Conference and other youth events are coordinated through the staffing and support of the department.

### Community Relations

This is the outreach and communications division for the Archdiocese of St. Paul and Minneapolis, and it conveys the messages of the archbishop and the archdiocese to the faithful and to many others within the community. It also listens to these audiences and communicates

through a professionally staffed Communications Office and through distribution of assessment for The Catholic Spirit, the official archdiocesan bi-weekly newspaper.

## Non-program and other

### General and Administrative

The offices of the archbishop, bishops, moderator of the curia/vicar general, treasurer, administration and finance, and accounting services are included in the General and Administrative reporting. Adjustment of the carrying value of amounts due from parishes and other entities are reflected in the category.

### Development and Stewardship

The Department of Development and Stewardship supports the programs of the archbishop's Catholic Services Appeal; parish and school stewardship and development consulting; the stewardship conferences, workshops and parish tool kit; planned-giving support; and other archdiocesan fundraising initiatives, including the archdiocesan feasibility study and proposed capital campaign. The expenses within the Development and Stewardship category comprise the archdiocese's fundraising expense. The CSA funds a portion of the costs associated with it. During 2012, the cost of fundraising was less than 10 cents for each dollar raised.

### General Insurance Program

The General Insurance Program of the Archdiocese of St. Paul and Minneapolis provides comprehensive, uniform coverage of all of the parishes and related entities in the archdiocese, as well as the central Archdiocesan Corporation. The coverage includes building and contents, burglary, personal property, student accident, auto, public library, boilers and workers' compensation.

## Financial position

Net assets of the Archdiocesan Corporation were \$42,934,000 at the end of fiscal 2012, or \$3,097,000 greater than a year earlier. The bulk of the increase was in unrestricted and temporarily restricted net assets. Permanently restricted net assets (endowments and perpetual trusts) decreased \$108,000 due to a decrease in the market value of underlying investments which are managed by others.

After adjusting the change in net assets for revenue and expense items that did not result in or require cash, operations in 2012 required cash of \$629,000 principally due to the timing of payments of current liabilities.

In addition to the \$629,000 of cash used by operating activities, \$5,740,000 was realized from the repayment of a loan by an elementary school and used to retire un-

# Archdiocesan finance officer report

CONTINUED FROM PAGE 17B

derlying archdiocesan debt. Cash was used in the amount of \$1,619,000 to improve archdiocesan property, equipment and systems.

## In summary

During 2012, the quality of the archdiocesan balance sheet continued to improve, and significant progress in capacity was made in the year through investment in systems improvements in the areas of fundraising, database management and standardized parish accounting, as well as communication through the Internet.

These improvements were possible because of the departmental restructuring that occurred in 2006 and 2007 and the focus on archdiocesan liability and asset management that ensued and continues. Since 2007, expenses in total have increased only 2 percent (or less than ½ percent per year) and a greater proportion of the expenses relate to programs rather than administrative costs.

The focus on expenses would have been for naught if

there had not been an increase in resources through contributions, assessments and the Catholic Services Appeal. Those resources, which are directly related to the generosity and devotion of the Catholic faithful, have increased since 2007.

The combination of expense control and increase in resources has permitted the archdiocese to reduce entirely external debt by \$8.2 million, return \$1.9 million in deposits to parishes, segregate an additional \$1.9 million in assets for the benefit of the group insurance program and increase the working cash balance by \$2.1 million in the last five years. During the same period, the contingent liability under guaranteed parish and school debt has decreased by \$40 million. In short, the archdiocese is now in a substantially improved fiscal state.

That improvement is important because of issues identified through the recent strategic planning effort around the viability of parishes and schools. The strategies identified by those plans are being implemented through dedication of considerable human and monetary re-

sources at both parish and archdiocesan levels.

Unfortunately, unrelenting changes in demographics and economic resource distribution in the archdiocesan community means the situation continues to evolve even as existing plans are consummated. Meeting the challenges of that evolution will require that Archbishop Nienstedt and staff have a strong fiscal base from which to work to improve the mission of the Catholic community as a whole.

This is my last annual message concerning the finances of the Archdiocese of St. Paul and Minneapolis as my retirement is now real. It has been an honor to serve Archbishop Flynn and Archbishop Nienstedt and you my brothers and sisters in Christ in this small capacity.

*John F. Bierbaum was chief financial officer of the Archdiocese of St. Paul and Minneapolis from 2005 to 2012, including the fiscal year covered in this report.*

## Reaching out to and inviting Latino Catholics is aim of Redescubre: initiative

CONTINUED FROM PAGE 3B

ships, but they still maintain a deep faith in God.

"We want to say to them, 'The Church is your home. The Church is your community. Here in the sacraments you find the strength and inner freedom we are longing for. It's not just coming on Sundays. It's about feeling part of the community. . . . You are a person in the image of God regardless of all the situations that are surrounding you, and he is the one who gives your life true meaning,'" she said.

**Redescubre:** organizers hope to extend the initiative's outreach in the future.

In the meantime, the hope is to have a

large contingent of Latinos at the 2013 **Rediscover: Catholic Celebration** Oct. 12 at the St. Paul RiverCentre.

Pereira said the Latino population is growing locally and around the country and "there is a need for people to understand we are in a very diverse Church."

"**Redescubre:** is a beautiful opportunity to reach out to Latino Catholics in the archdiocese and invite them, as Pope Benedict XVI has asked us, to rediscover the journey of faith and reaffirm the idea that the meaning and purpose of our lives, the sense of belonging, the strength, the true freedom and peace are already there in the beautiful gift of our Catholic faith," she said.

## Cardinal welcomes opportunity to discuss mutual concerns with Obama

Catholic News Service

New York Cardinal Timothy Dolan in a letter to President Barack Obama accepted a White House offer to continue discussing the Catholic Church's concerns about abortion, traditional marriage and federal rules governing implementation of the Affordable Care Act.

"We accept your invitation to address these areas together, always with the civility we have both encouraged in public discourse," the president of the U.S. Conference of Catholic Bishops said in the letter Feb. 22.

"We welcome specifically an opportunity to resolve the perplexing issue of the redefining of our religious ministries," Cardinal Dolan wrote. "Surely we should be able to find some ground where neither of us is asked to compromise conscience."

In response to a call from Catholic News Service Feb. 26, a White House official said there was no immediate reaction from Obama to the cardinal's letter.

The cardinal also renewed good wishes and offered prayers for Obama as he prepared to tackle a long list of goals for his second term that were outlined in his inaugural and State of the Union addresses.

Recalling a meeting with Obama at the White House, Cardinal Dolan pointed to the president's stated desire "to cooperate with us for the good of our beloved country," particularly in the Church's educational, charitable and health care services.

"The bishops of the United States cannot rest so long as the vital ministry the Catholic Church carries out — for people of all or no creeds — remains threatened due to an erosion or loss of the constitutional guarantee of the freedom to serve without violation of our faith," he said.

Cardinal Dolan said Obama's second term "provides a special opportunity" to strengthen and promote marriage, family, churches and faith-based ministries of service in order to "keep the American dream alive and well for generations to come."

The letter also listed a series of issues in which the U.S. bishops are ready to work with Obama "for the good of all people who live in and love our nation."

Cardinal Dolan specifically mentioned the bishops' support for:

**"We welcome specifically an opportunity to resolve the perplexing issue of the redefining of our religious ministries."**

CARDINAL TIMOTHY DOLAN  
In his letter to President Obama

- Reasonable regulation of firearms.
  - Increased attention to the needs of mentally ill people.
  - Immigration reform.
  - Access to comprehensive, affordable and "life-affirming" health care, "which we believe includes the pre-born child, the undocumented and the dying."
  - International assistance to the world's poorest people.
  - Protecting the environment.
  - Education reform, including parental choice.
  - Developing a financially responsible federal budget that protects the poor, sick and elderly.
  - Peace in the Middle East and an end to the war in Afghanistan.
  - Efforts to strengthen family life and uphold the importance of responsible fatherhood.
- "These issues of mutual importance are hardly new. . . . All of them flow from God's own holy word in the Bible and the truth about the human person revealed in Jesus as faithfully passed on by the Church," Cardinal Dolan wrote.
- "They also resonate, as you have observed, from the most noble values of America, which the founders of our country identified in the Declaration of Independence as 'self-evident truths,'" he added.

### HOLY LAND FRANCISCAN PILGRIMAGES

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| <b>HOLY LAND &amp; JORDAN</b><br><i>June 4 - 15, 2013 (\$3,740)</i>            |
| <b>HOLY LAND, PETRA &amp; MT. SINAI</b><br><i>June 17 - 29, 2013 (\$3,995)</i> |
| <b>SHRINES OF FRANCE</b><br><i>June 22 - July 4, 2013 (\$4,298)</i>            |
| <b>HOLY LAND &amp; TURKEY</b><br><i>August 13 - 22, 2013 (\$3,730)</i>         |
| <b>HOLY LAND &amp; JORDAN</b><br><i>September 6 - 16, 2013 (\$3,750)</i>       |
| <b>SHRINES OF ITALY</b><br><i>September 9 - 19, 2013 (\$3,349)</i>             |
| <b>HOLY LAND</b><br><i>October 23 - November 1, 2013 (\$3,498)</i>             |
| <b>HOLY LAND</b><br><i>November 5 - 14, 2013 (\$3,592)</i>                     |
| <b>HOLY LAND &amp; JORDAN</b><br><i>December 1 - 11, 2013 (\$3,592)</i>        |

*Based on JFK New York departures*

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