

# Annual Report

Archdiocese of St. Paul and Minneapolis  
Fiscal year 2011



## Letter from Archbishop John Nienstedt

*The generous support of Catholics allowed us to achieve revenue stability despite an uncertain economy*

**Dear Friends in Christ,**

I am pleased to present to you the annual financial report for the archdiocese that covers the most recent fiscal year which ended June 30. Your generosity constantly inspires me in all I do as your spiritual leader.

I am grateful to all archdiocesan Catholics for their continuing and generous support to their parishes and schools in 2011, which allowed our total revenue for the past fiscal year to match revenue for the previous year despite the persistent economic malaise and uncertainty. This revenue stability was achieved even with a small decrease in the assessments that our parishes provide for the operating costs associated with my responsibilities, and in total gifts for our annual Catholic Services Appeal. The slight decrease in gifts to our Appeal reflects an acceleration of the solicitation phase last year as compared with previous years.

Expenses in total were consistent with those of the previous fiscal year, even with some significant variations, such as a \$600,000 reduction of Cathedral debt, \$300,000 for payment of expenses to send a contingent of teens to Madrid to participate in World Youth Day, and \$450,000 in combined expenses for website development and network systems that will help us communicate far more effectively with all of the many publics within the archdiocese.

Encouragingly, our multi-year focus on parish accounts is reflected in part in that our general and administrative costs decreased by \$2.7 million from the prior fiscal year. Yet, this report represents much more than numbers and graphics. It highlights many examples of faith-filled good works taking place in the many projects and programs of compassion and charity that we, the Body of Christ, do in this archdiocese.

The priests and religious who attend to your spiritual needs, our Catholic school teachers, administrators and DREs, the Catholic Charities employees who selflessly give their time to help the needy, those dedicated volunteers supporting marriage, family, youth and life, and our Catholic hospital, retirement and nursing facility caregivers all join together to carry out the Lord's work and minister to very real and varied needs of this archdiocese.

I also want to recognize the work of the Archdiocesan Finance Council and Investment Committees; these two groups of very dedicated lay men and women continued to provide exemplary and valuable oversight in respectively managing the archdiocese's budget and portfolio of investments above and beyond expectations.

When teamwork like this happens, God's promises can be realized through our financial and prayerful support for so many of his sons and daughters. I will do all I can to ensure that this continues each day in parishes, schools and other Catholic institutions across the 12 counties of the archdiocese.

This grace-filled work is what we are called to do each day as Catholics, and you have always responded so willingly to that calling. I promise to continue to do my part as a faithful steward of your generous support.

Cordially yours in Christ,

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

**The Catholic Spirit**

1B — March 1, 2012

**4-page pullout section**

# The Archdiocese of St. Paul and Minneapolis

## Condensed Statement of Activities as of June 30, 2011 and 2010

	2011	2010
<b>Revenues and Gains</b>		
Contributions	\$ 3,568,817	\$ 3,965,531
Parish assessments	12,709,785	13,504,232
Catholic Services Appeal net of parish rebates	6,859,208	7,390,161
Program revenues, fees and others	5,466,881	4,742,283
Investment income and gains (losses)	3,358,722	2,992,414
General Insurance Program	7,987,814	7,851,142
<b>Total Revenues, Gains and Other Support</b>	<b>39,951,227</b>	<b>40,445,763</b>
<b>Expenses</b>		
Archdiocesan Programs	26,550,050	23,228,531
General and Administrative	2,002,479	4,685,070
Fundraising	1,136,679	976,849
General Insurance Program	6,837,095	7,600,469
<b>Total Expenses</b>	<b>36,526,303</b>	<b>36,490,919</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 3,424,924</b>	<b>\$ 3,954,844</b>



## Condensed Statement of Financial position as of June 30, 2011 and 2010

	2011	2010
<b>Assets</b>		
Cash and equivalents	\$12,758,008	\$10,870,065
Restricted cash	167,835	166,552
Receivables, net of reserves	8,106,228	7,834,251
Loans receivable from parishes and related entities, net of reserves	7,423,029	7,307,618
Investments and interest in perpetual trusts	18,452,313	16,727,570
General Insurance Program assets	4,846,981	5,739,912
Prepaid expenses	210,537	226,428
Land, property and equipment, net	9,562,209	8,244,341
<b>Total Assets</b>	<b>61,527,140</b>	<b>57,116,737</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	4,506,854	2,383,878
General Insurance Program liabilities	4,662,453	4,662,304
Catholic Services Appeal rebates to parishes	1,723,437	1,794,198
Collections held for others	568,525	402,844
Notes payable	5,740,000	6,039,998
Deposits due parishes and other related entities	3,537,601	4,470,169
<b>Total Liabilities</b>	<b>20,738,870</b>	<b>19,753,391</b>
<b>Net Assets</b>		
Unrestricted		
Designated to General Insurance Program	13,766,057	12,615,338
Other	23,125,662	20,806,307
Temporarily Restricted	2,014,353	2,292,923
Permanently Restricted	1,882,198	1,648,778
<b>Total Net Assets</b>	<b>40,788,270</b>	<b>37,363,346</b>
<b>Total Liabilities and Net Assets</b>	<b>\$61,527,140</b>	<b>\$57,116,737</b>

## Notes to condensed financial statements for the years ended June 30, 2011 and 2010

### 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 coverage and 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 \$13.5 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 unqualified opinions 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 related entities

#### Benefits

The Archdiocesan Corporation administers several independent activities that are organized as trusts for pensions and other benefits for affiliated entities throughout the archdiocese. There are individual trustee boards for these functions, namely the Pension Plan for Priests of the Archdiocese of St. Paul and Minneapolis, Pension Plan for Lay Employees of the Archdiocese of St. Paul and Minneapolis, and the Archdiocese of St. Paul and Minneapolis Medical Benefit Plan Trust. At December 31, 2010, these plans had actuarial present value of accumulated plan benefits of approximately \$193 million which is calculated at an interest rate of 8 percent; earlier years were calculated at 9 percent. The value of the underlying invested assets were adversely effected by the severe general market decline which began in mid-calendar 2008 and partially corrected in calendar 2009 and 2010, such that the pension plans were underfunded by approximately 40 percent at Dec. 31, 2010. The funding

obligation is of a multi-employer nature and is expected to be satisfied by 2025. Current contributions and cash investment income are adequate to fund current obligations. The contribution rate to pension plans was significantly increased effective July 1, 2010. Effective Jan. 31, 2011, participation in the Lay Employees Pension Plan was frozen.

### Other programs

The Archdiocesan Corporation acts as a conduit for special collections in the parishes designated by the U.S. Conference of Catholic Bishops ("USCCB National Collections") or for local purposes. During 2011, \$5.1 million was contributed by parish communities for such collections and sent to the Archdiocesan Corporation for remittance. This amount includes \$3.4 million for retirement of debt at the Cathedral parish resulting from 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, 2011 approximately \$110 million was pledged which, after allowances and discounts, had an estimated realizable present value of \$90 million. Pledges of approximately \$210,000 were collected in 2011 and \$1.6 million is expected subsequent to June 30, 2011.

The Archdiocesan Corporation acts as agent for The Catholic Spirit in collection and transmittal of an assessment on parishes for subscriptions to the newspaper. During 2011, \$1.1 million was paid to the newspaper.

### 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 \$57 million at June 30, 2011.

# 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, 2011*

By John F. Bierbaum

At June 30, 2011, 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 \$3.4 million. The bulk of the surplus can be attributed to the insurance program (\$1.1 million) and appreciation of investments (\$1.9 million).

## Revenues and gains

Total revenue for 2011 reached \$39,951,000 as compared to \$40,446,000 in 2010.

After significant increases in 2010, the primary sources of revenue, parish assessments and the Catholic Services Appeal (CSA) were down 6 percent and 7 percent respectively in 2011. The slight decrease in assessments is reflective of decreased contributions at parishes during the economic downturn in 2009 (base year for assessments).

CSA receipts, as reported, are after deductions for rebates to parishes and allowances. On a pre-deduction basis, the CSA generated \$9.5 million, greater than goal and prior year by \$200,000. Both speak to the generosity of the Catholic community despite the severe economic conditions and slow recovery.

Other income sources were similar to the prior year in the aggregate, although program income included in excess of \$300,000 from participant fees for the World Youth Day in Madrid. Investment income included nearly \$800,000 in gain from sale of an excess property.

## Operating expenses

Operating expenses totaled \$36,526,000 in 2011 as compared to \$36,491,000 in 2010. Program costs increased \$3.2 million while non-program costs decreased \$2.5 million, and insurance claims decreased \$700,000. Initiatives in program costs included strategic planning for schools and parishes, participation in World Youth Day, and investment in systems that could not be capitalized. Non-program costs declined primarily due to stabilization of accounts due from parishes, thus not requiring further adjustment for losses.

Following is a narrative that explains the purpose of the various offices of the archdiocese. Also, an accompanying chart depicts the expenditures by program, including a correlation to use of the net CSA revenues.

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.

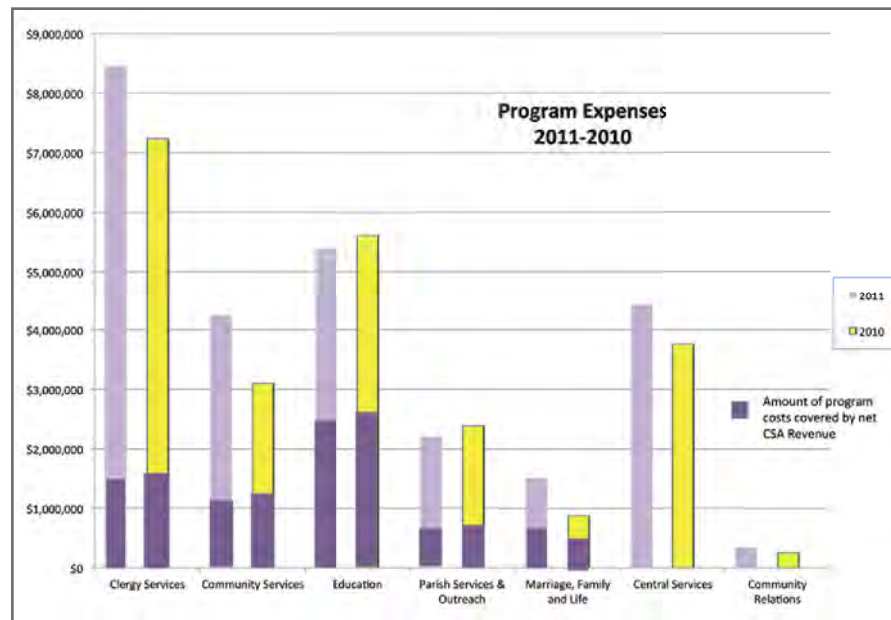
Byrne Residence, retired clergy, Office of Vocations, and clergy medical and dental and other benefits and support.

### 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 which 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 which are minority groups, specialized ministries and coalitions. Included are the offices of, or subsidies to: Hispanic ministry, Indian ministry 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.

### 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. In addition, World Youth Day, National Catholic Youth Conference and other youth events are coordinated through the staffing and support of the department.

### 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.

### 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 financial consulting, stewardship forum, endowment efforts and other fundraising programs. The expenses within the development and stewardship category comprise the archdiocese's fundraising expense.

### 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 \$40,788,000 at the end of fiscal 2011, or \$3,425,000 greater than a year earlier. The bulk of the increase was in unrestricted and temporarily restricted net assets, as discussed above, while permanently restricted net assets (endowments and perpetual trusts) increased \$233,000 due to an increase in the market value of underlying investments.

After adjusting the change in net assets for revenue and expense items that did not result in or require cash, operations in 2011 generated \$4,145,000 of additional cash, compared with a surplus of \$5,484,000 cash in 2010. The difference between years was caused by the activities discussed above.

In addition to the \$4,145,000 of cash sourced by operating activities, \$1,031,000 was realized from the sale of excess real estate and investments. Cash was used in the amount of \$1,998,000 to improve archdiocesan property, equipment and systems, \$989,000 of parish deposits were repaid, and \$300,000 of external debt was repaid. Thus, the cash position of the archdiocese improved by \$1,889,000 since 2010. The added liquidity will relieve pressure on cash balances that are experienced at certain times within a fiscal year. Further, the increase in cash will make it possible to continue to address specific parish and ministry issues.

The archdiocese has for many years extended guarantees as credit enhancements for third-party loans to parishes and schools. The exposure to this contingent liability was reduced by \$9 million to \$57 million at the end of 2011.

## In summary

During 2011, the quality of the archdiocesan balance sheet continues to be improved, and significant progress was made in addressing debt at the Cathedral of St. Paul and investing in systems improvements in the areas of fundraising and standardized parish accounting, as well as communication through the Internet and continued strategic planning. Serious questions remain about the financial viability of certain parish and school organizations. Because parish assessments are required for support of the archbishop's primary obligations and functions, the collection of assessments is crucial. Thus, parish financial viability will continue to be a key focus in the coming years.

*John F. Bierbaum is chief financial officer of the Archdiocese of St. Paul and Minneapolis.*