

# Diocesan Financial Report

The Diocese of Springfield's financial report for July 1, 2003 to June 30, 2004 (published on this page) shows the diocese continues to operate in a deficit situation, although there was marked improvement in reducing that deficit from \$1,307,532 in the 2002-2003 financial statement to \$664,437 shown here. There remains concern over the increasing expense to income ratio; projections for FY 2004-2005 and beyond show increasing expenditures and minimal increase in revenues.

The financial report reflects that diocesan income remains flat. Collections from cathedralicum (the amount parishes contribute to the support of the diocese) increased only slightly from \$1,831,422 to \$1,877,657. Although the 2004 Annual Catholic Appeal (ACA) did show an increase, the figures contained in this report relate to the 2003 ACA. 2004 funds, only finalized in October, will be shown in FY05. Investment income has begun to increase; however, only limited amounts are available to central ministries based on a three-year rolling average that is calculated on market value of fund balances.

In order to compensate for this stagnant growth, the diocese did undertake some cost-saving measures. Although health insurance costs continued to rise, property and liability insurance costs were reduced by one third, helping the overall budget. There has also been an increased effort to obtain from parishes reimbursement of their portion of insurance premiums and school assessments related to parish and school personnel. The necessity to cover the parish share of these costs has contributed to diocesan deficits in recent years. These non-payments, in many instances, reflect a general over-all decline in many parishes' financial health, as they also face increased expenses with little growth in their collections.

Another significant undertaking was the effort to help schools institute sound balanced budget practices. School deficits have been a significant factor in the overall diocesan deficit. The school deficits impact on the diocese, and are caused by a number of contributing factors: insurance costs, non-payment of parish school support assessments, lower than projected enrollment figures, an overall increase in general school expenses while tuition rates remain less than operating costs. Under the direction of Springfield Bishop Timothy A. McDonnell, the diocese continues to carefully examine education expenses. The Bishop has commissioned a special Blue Ribbon committee, which has recently begun to explore the overall status of Catholic education. The diocese remains committed to maintaining Catholic schools as part of its mission.

The Catholic Communications Corporation instituted at the start of this fiscal year, a number of cost-saving measures to reduce its subsidy from the diocese, including the temporary cancellation of the Daily Mass broadcast and summer editions of the "Real to Reel" television program. Also, the twice-a-year mass mailings of *The Catholic Observer* were replaced by a less costly delivery method.

The financial statement also shows the payment of \$7 million in the settlement with victims of clergy sex abuse. This figure excludes an additional transfer of land which was also part of the settlement. This payment came from diocesan savings. Although it does not have a direct impact on current operating budgets, the loss of interest income in future years will be felt. The diocese hopes to recoup some of these funds through its negotiations with its insurance carriers.

At the same time, there are a number of outstanding claims yet to be resolved.

Since January, there has been a hiring freeze and a moratorium placed on travel expenses to conference and meetings outside the Diocese of Springfield.

Because of ongoing financial concerns, Bishop McDonnell announced March 15 that he would institute an 18 percent across-the-board reduction in the central administration budgets for FY 2005-2006. (See related article on page 15.)

The audits of the Roman Catholic Bishop of Springfield (RCB), a corporation sole, the Catholic Communications Corporation and The Foundation of the Roman Catholic Diocese of Springfield, Massachusetts, Inc. received the highest opinion, an unqualified opinion from the independent auditors. Per the auditor's opinion, the financial statement presents fairly in all material respects the financial position of the diocese.

RCB encompasses the central programs and administrative offices of the Diocese of Springfield. Bishop McDonnell and his staff develop resources, provide training, planning, consulting and leadership development that otherwise might be unavailable or unaffordable to conduct the ministerial works of its parishes, schools, cemeteries and institutions in the four counties of western Massachusetts.

Organizationally, these services are delivered through the diocesan cabinet secretariats of Canonical Affairs, Catholic Communications, Pastoral Ministry, Education and Justice, Health and Human Services, Services for Clergy and Religious, and Administrative and Insurance Support Services. Additional information will be available on the diocesan website, [www.diospringfield.org](http://www.diospringfield.org) after March 22.

## THE ROMAN CATHOLIC BISHOP OF SPRINGFIELD STATEMENT OF ACTIVITIES FOR CENTRAL MINISTRIES

	Years Ended June 30	2004	2003
<b>INCOME &amp; SUPPORT</b>			
Cathedralicum, Net		\$1,877,657	\$1,831,422
Investment Income		692,243	420,020
Insurance Premiums, Recoveries & Transfers		8,333,783	8,452,262
Support of Catholic Schools		1,901,921	1,890,112
Department Fees, Bequests & Contributions		465,198	424,446
<b>Restricted Funds Transfers For:</b>			
Settlement Costs		7,000,000	20,000
Clergy on Involuntary Leave		125,825	54,595
Charter for the Protection of Children		67,457	2,065
Annual Catholic Appeal Support of Diocesan Ministries		2,068,043	2,126,415
General Support of Diocesan Ministries from Interest & Savings		3,587,059	3,066,528
Cemetery Improvements and Administration		542,752	641,389
Health & Human Services Ministries		209,886	221,068
<b>Total Revenues and Transfers</b>		<b>\$26,871,824</b>	<b>\$19,150,322</b>
<b>EXPENSE BY PROGRAM</b>			
<b>Canonical Affairs</b>			
Chancellor's Office & Commissions		\$87,284	\$90,183
Tribunal Office		214,580	227,474
St. Michael's Cathedral & Bishop Marshall Center		279,249	243,415
Offices of Worship & Vicar General		205,242	140,930
<b>Total Canonical Affairs</b>		<b>786,355</b>	<b>702,002</b>
<b>Catholic Communications Corporation Support</b>			
<b>Cemetery Capital Improvement Grants &amp; Admin.</b>		<b>548,943</b>	<b>641,389</b>
<b>Pastoral Ministry</b>			
African Ministry Program, Men's Ministry Program		15,634	13,370
Hospital Chaplains		113,794	151,383
Lay Ministry Formation		85,510	86,771
Natural Family Planning		11,086	5,880
Pastoral Ministry Office		291,473	338,947
Catholic Scouting		4,323	3,383
<b>Total Pastoral Ministry</b>		<b>521,820</b>	<b>599,734</b>
<b>Education and Justice</b>			
Catholic Schools Grants & Assistance		3,794,563	4,212,487
Campus Ministry Programs		92,629	88,395
Religious Education Office		235,110	282,136
<b>Total Education &amp; Justice</b>		<b>4,122,302</b>	<b>4,583,018</b>
<b>Health and Human Services</b>			
Catholic Charities Office		311,173	365,139
Immigration Services		62,439	69,350
Counseling Office		145,482	142,875
Latino Ministries		192,972	226,755
Campaign for Human Development		70,479	56,253
Other HHS Ministerial Support		17,485	12,644
<b>Total Health &amp; Human Services</b>		<b>800,030</b>	<b>873,016</b>
<b>Clergy and Religious</b>			
Clergy & Religious Medical Leave		144,764	170,190
Clergy & Religious Special Needs		53,515	66,836
Priests Continuing Education		96,559	129,082
Vicar for Religious		30,153	29,518
Permanent Diaconate		58,432	51,409
Vocations Office		191,802	131,738
St. Michael's Priest & Religious Residence		321,754	253,484
Clergy on Involuntary Leave		125,825	54,595
<b>Total Clergy &amp; Religious</b>		<b>1,022,804</b>	<b>886,852</b>
<b>Child Protection</b>			
Healing and Prevention Programs		72,122	-
Counseling/ Outreach		67,457	2,065
Settlement (Does Not Include FMV of Land)		7,000,000	20,000
Civil and Canonical Fees		354,948	-
<b>Total for Child Protection</b>		<b>7,494,527</b>	<b>22,065</b>
<b>Chancery Operations</b>			
Chancery Administration		407,764	352,124
Legal		186,786	211,570
Dues & Assessments		186,916	177,906
Office & Property Expense		691,434	784,760
Financial Affairs Office		717,755	726,927
Real Estate Office		52,065	62,743
Building Consultant's Office		112,133	106,749
Human Resources		154,260	132,680
Development, ACA, Parish Stewardship, Foundation Offices		582,051	457,468
Ins Prog - Health, Property, Liability, Workmen's Comp		8,356,954	8,452,261
<b>Total Chancery Operations</b>		<b>11,448,118</b>	<b>11,465,188</b>
<b>Total Expenses</b>		<b>\$27,536,261</b>	<b>\$20,457,854</b>
<b>Net Inflows (Outflows)</b>		<b>\$(664,437)</b>	<b>\$(1,307,532)</b>

For clarity and expansion of detail, certain reclassifications have been made from the 2003 and 2002 report.

## Independent Auditor's Attestation

We have reviewed the financial statements as prepared by the Diocese and we have concluded that the financial statements present fairly in all material respects the financial position of the Diocese.

Furthermore, the Annual Catholic appeal is the annual fund drive conducted by the Diocese of Springfield to provide operating dollars to ministries of the four counties of the diocese. Each May, the diocese engages its parishioners in contributing to the Annual Catholic Appeal, which in turn funds agencies, ministries and programs that serve the people of Western Massachusetts. Each dollar generously donated to the appeal is allocated to ministries of the dioceses and social agencies that apply for funding.

This year, as in previous years, the Annual Catholic Appeal allocated the generous donations directly to the many agencies, ministries, and program outlined in the brochure's Case Statement. Funding from contributions was made directly to ministries involved in family services, health care, education and formation and pastoral ministries and development in Hampden, Hampshire, Franklin and Berkshire counties.

As part of our audit procedures for the Roman Catholic Bishop of Springfield, a corporation sole, this year as in past years, we reviewed the income received by the diocese on behalf of the Annual Catholic Appeal and traced the distribution of the annual Catholic Appeal funds to the agencies, ministries and programs outlined in the brochure's Case Statement. The funds were separately segregated, accounted for and expended as detailed in the Case Statement.

**Downey, Sweeney and Fitzgerald & CO., P.C.**  
Certified Public Accountants