

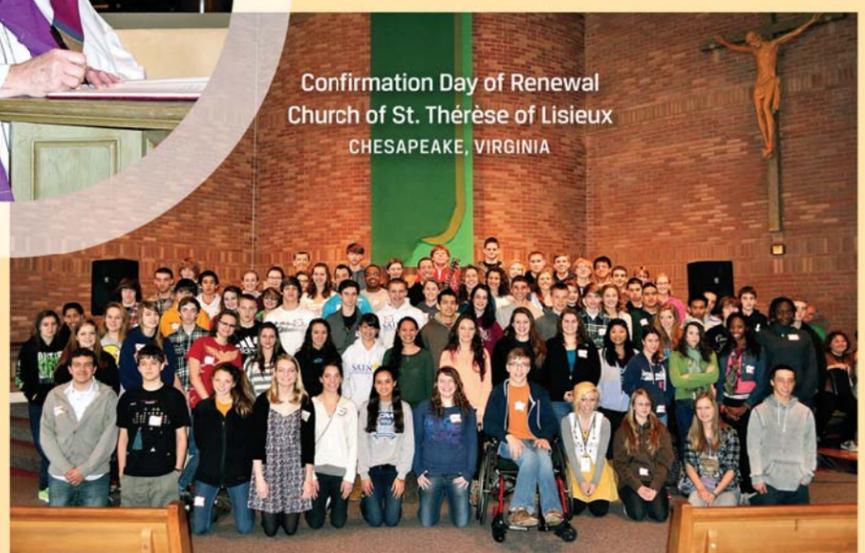
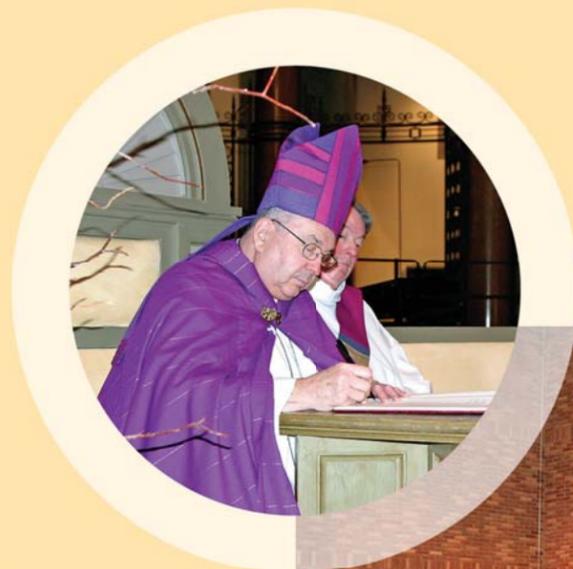


St. Benedict Church  
RICHMOND, VIRGINIA

2012 Annual Report



# THE CATHOLIC DIOCESE *of* RICHMOND



Confirmation Day of Renewal  
Church of St. Thérèse of Lisieux  
CHESAPEAKE, VIRGINIA

My Dear Friends in Christ,

This is my annual financial report to you which shows that for the second consecutive year the Central Administrative Offices, or the Diocesan Pastoral Center, finished the year in the black. One of the primary reasons for this good result is our Annual Diocesan Appeal. It has exceeded our expectations, and therefore, in direct response to this success, areas such as pastoral ministries, campus, youth, and young adult ministries are receiving additional resources. Also, we made extra contributions to the Diocesan Fuel and Hunger fund as well as to the priests' pension fund. I am particularly grateful to you, the committed faithful, who have responded so generously to our invitation to support this Annual Appeal. I would be remiss if I did not recognize our Pastors' Advisory Committee for their thoughtful oversight, and I thank the pastors for their devoted leadership.

In planning our Annual Appeal and in developing our operating budget, we listen to you. The information that I receive during my parish visits is invaluable. Our Pastoral Planning Commission is another advisory body that guides our efforts. At the beginning of this fiscal year, they updated the planning document titled, "We've Come This Far By Faith." This document is the result of many meetings and discussions surrounding the important work of our Church. Excerpts from this report are featured in this annual report.

Our parishes and schools carry out their mission by meeting the challenges of the communities they serve in the areas of Word, Worship, Community, and Service. Our staff in the Pastoral Center support parishes and schools by offering programs and performing services in alignment with these four elements. We are accountable to you and we take our role as stewards of the human and financial resources entrusted to us seriously. We prepare this report as a sign of our pledge to you to be transparent with your generous gifts.

I invite you to read this report so that you may learn about how these resources are used. With God's grace we will continue carrying out the mission of the Church here in Virginia during this Year of Faith.

Wishing you many blessings during this holy season of Lent, I remain,

Sincerely yours in Christ,



Most Rev. Francis X. Di Lorenzo,  
Bishop of Richmond



## MISSION

We, the Christian faithful of the Catholic Diocese of Richmond, led by our Bishop and in union with the universal Church, are listeners, learners, teachers and Disciples of Christ.

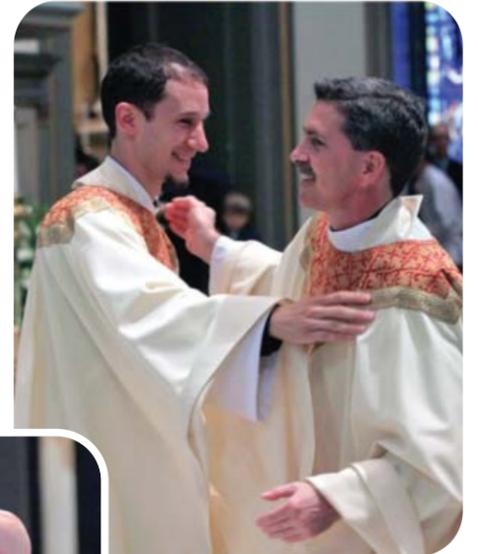
We embrace our diversity and its expression in faith.

We share a vision of a diocese where love grows, life triumphs and justice and peace prevail.

We participate in God's work to renew our Church and the world, through Word, Worship, Community and Service.

## Ordination

### June 2, 2012



Father Patrick Golden, rector of the Cathedral of the Sacred Heart, greets Father Joseph F. Goldsmith.

Father Christopher M. Hess receives the bread and wine from Bishop DiLorenzo.



Father Carlos H. Lerma, kneeling, before the Laying On of Hands.



Father Sean M. Prince concelebrates the Liturgy of the Eucharist with Bishop DiLorenzo

### Diocesan Finance Council:

The Diocesan Finance Council is the primary advisory body to the Bishop of Richmond in the areas of finance and administration. Canon law, universal to the Roman Catholic Church, requires that each diocese and parish have a finance council. Among their primary functions are a review of the operating and capital budgets, including compensation, audited financial statements, investments, borrowing, and any area of extraordinary financial administration such as purchasing or selling real estate, and major construction projects.

Each member of the finance council serves on at least one of the following committees: Executive, Budget & Audit, Investment, Compensation, Real Estate, Insurance, and Membership, may serve on ad hoc committees, and upon request, participate in special projects.

#### Current Members

Michael Cotter, Chairman

Michael Bellanca	Michael Kerner
William Berry *	William O'Connell, Jr.
Joseph Fernandes	Joseph Petro
Terrence Gates	Susan Shackelford *
Gregory Kilduff	William Sigler

\* The Bishop and Finance Council are pleased to welcome the two newest members.

### Annual Diocesan Appeal Fiscal Year 2012:

In the fall of 2011, the revitalized Annual Diocesan Appeal entered its second year and achieved success once again. Key to this success may be attributed to the thoughtful and meaningful case for support developed by a collaborative Pastors' Advisory Committee.

New funding for important ministries, both at the parish and diocesan level, creates opportunities to expand our ability to meet the needs of those we serve. Pastors take this case, combined with local parish needs, and invite support from the people of our Church. Please see the summary of how these funds are used.

An expanded 2011 Annual Diocesan Appeal report may be found in the Ways to Give section of the diocesan website.

Description	Amount
Funding for local parish needs	\$ 1,000,000
Retired priests' pension and health insurance	600,000
Tuition and expenses for fourteen seminarians	350,000
International priests' enculturation and mentorship	170,000
Fuel and hunger fund, sixty-seven grants	150,000
Campus ministry, twenty-three college and university programs received support, college summit and freshmen retreat	150,000
Developing lay leadership through Lay Ecclesial Ministry Initiative, Sullivan Conference, forums, retreats and resource library	135,000
Priests' continuing education and formation	50,000
Youth ministry scholarships at local parishes, regional summer internship, leadership training	50,000
Young adult conferences for women and men, resources and scholarships to parishes	50,000
Administration, personnel, materials and printing	435,000
<b>Total</b>	<b>\$ 3,140,000</b>

# Moving Forward in Faith – The Diocesan Pastoral Planning Commission

The Diocese of Richmond developed an updated planning document this year. So in presenting our annual report for the year just past, the church also looks ahead with the new document offering a statement re-committing ourselves to a continuing mission “to bring the Word of God to all who seek Him and to be a shining example of Christ’s presence in this world.”

This statement is contained in the “Next Steps” part of the

updated document, “Moving Forward in Faith,” and begins with Christ’s own exhortation from the Gospel of Matthew:

*“Go, therefore, and make disciples of all nations, baptizing them in the name of the Father, and of the Son, and of the Holy Spirit, teaching them to observe all that I have commanded you. And behold, I am with you always, until the end of the age.”*

— Matthew 28:19-20

At the beginning of fiscal year 2012, the Diocesan Pastoral Planning Commission published “Moving Forward in Faith,” an update of “We’ve Come This Far by Faith” written in 2002. It describes the state of the Richmond Diocese in terms of what we value, what we do well, the “signs of the times” and what challenges we face.

The updated document is based on current demographic reports and information gleaned through meetings and focus groups—involving pastors, diocesan and parish staff, lay ministers and parishioners throughout the diocese.

It also calls on the leadership and all the faithful of the diocese to use their gifts “to the best of our ability” to work together as a community of believers to accomplish justice and to bring people back to the Word of God and full sacramental participation. “We recognize we may not be able to solve all the world’s problems, but we resolve to work together to make a difference in our world and our diocese,” the document states.

In introducing Moving Forward in Faith, Bishop Francis DiLorenzo explained that as

bishop, he strives to be a good steward of the resources entrusted to our diocese and to use them effectively. “We have much to offer and much work to do,” he stated. “Identifying what we value and believe to be the challenges helps me when making strategic decisions on how best to use our limited resources.”

Among specific next steps to address current challenges were

a commitment to “return the lost sheep to the fold,” to place more emphasis on keeping our youth engaged in the church and to maintain a sacramental presence in rural areas by establishing “twinning” relationships between some small and large parishes.

*Here’s a summary of Moving Forward in Faith’s present state of the diocese:*

## WHO WE ARE

The original Diocese of Richmond was established by Pope Pius VII in 1820 to serve all of Virginia which then included what is now West Virginia. Our present geographic designation was set in 1973, and by 1975 had 111,277 registered Catholics. By 2009, the number had more than doubled at 232,564 and continues to grow.

*Continued on Page AR-7*

Diocese By-the-Numbers	2011-12	2010-11
Registered Catholics	227,224	235,816
Parishes and missions	146	146
Students in Catholic schools	9,309	9,300
Elementary schools and high schools	24	24
Baptisms	3,206	3,445
First Holy Communions	3,323	3,365
Confirmations	3,688	2,673
Marriages	708	1,001
Priests	169	176
Permanent Deacons	111	79
Parishes that offer Mass in Spanish	25	25
College campus ministry programs	20	20
Seminarians studying for the diocese	14	15
Diocesan owned retreat centers	4	4

## New Auditors for Fiscal Year 2012:

Each year the Central Administrative Offices of the Catholic Diocese of Richmond financial statements are audited by independent certified public accountants. This year, as good business practice would dictate, the Diocesan Finance Council received proposals from various auditing firms and selected a new firm.

Clifton Larson Allen LLP completed their audit of the June 30, 2012 financial statements and they have rendered an unqualified opinion. The financial information in this annual report is taken from those audited financial statements.

*The complete audited financial statements may be found on the Diocese’s website at [www.richmonddiocese.org](http://www.richmonddiocese.org)*

## Presence of the Catholic Diocese of Richmond in the Commonwealth of Virginia

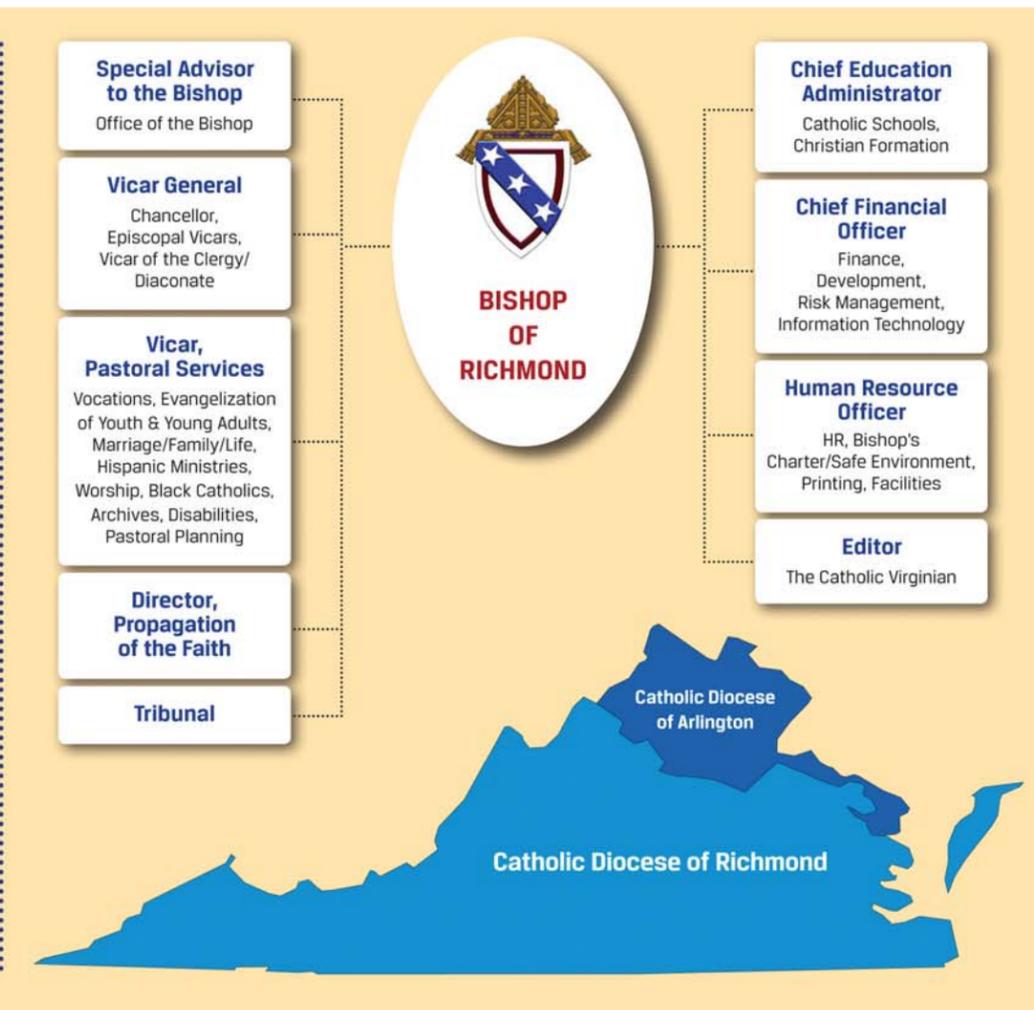
In the Commonwealth of Virginia, there are two Roman Catholic dioceses, the Diocese of Arlington, comprising the northern 21 counties, and the Catholic Diocese of Richmond, which covers the remaining 74 counties, or 33,000 square miles.

The Bishop of Richmond and his staff in the Central Administrative Offices, known as the Pastoral Center, work in collaboration with pastors, principals, parish and school staff, and the many volunteers, to further the Mission of this Holy Church.

For many Catholics, the predominant experience of the Church is through their parishes, by attending Mass, by celebrating the Sacraments and by attending Catholic schools. To enrich this faith experience and to prepare for the Sacraments, parishes and schools offer religious education programs.

The Catholic presence of the Diocese of Richmond reaches beyond the 146 parishes and 24 parish or diocesan Catholic schools. The Catholic presence exists in the college campus ministry programs, retreat centers, private Catholic schools, care for the elderly, outreach to the poor and social advocacy.

In order to administer this vast Mission, the Bishop of Richmond is assisted by staff, volunteers and many advisory bodies.



## General Operating Fund Financial Statement

Balance Sheet	June 30, 2012	June 30, 2011
Cash and cash equivalents	\$ 644,339	\$ 560,348
Accounts receivable	2,302,906	1,741,878
Investments	7,234,441	6,434,339
Due from other fund	1,135,300	1,657,583
Prepaid expenses and other assets	299,804	125,605
<b>Total Assets</b>	<b>\$ 11,616,790</b>	<b>\$ 10,519,753</b>
Accounts payable and accrued expenses	\$ 560,068	\$ 769,474
Deposits held for others and other liabilities	524,726	700,438
Notes payable	1,738,081	2,385,815
<b>Total Liabilities</b>	<b>2,822,875</b>	<b>3,855,727</b>
Unrestricted net assets for operations	2,415,461	1,144,875
Designated net assets:		
Priest Auto Fund	1,272,747	1,211,698
Investments operating as endowments	3,556,478	3,706,621
Programs	80,434	119,711
Temporarily restricted net assets	1,468,795	481,121
<b>Total Net Assets</b>	<b>8,793,915</b>	<b>6,664,026</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,616,790</b>	<b>\$ 10,519,753</b>
<b>Statement of Activities</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>Operating Revenues</b>		
Diocesan Assessments:		
Cathedraticum	\$ 6,194,837	\$ 5,877,265
Priests	467,265	430,000
Other	185,043	305,169
Contributions from elderly housing facilities	3,625,800	3,388,272
Program revenue	650,432	557,782
Retreat Centers	351,113	302,379
Contributions, gifts, bequests, and legacies	272,510	53,958
Interest and dividend income	133,944	157,924
Refunds and reimbursements	45,169	23,931
Other fees and charges	43,147	42,001
Grants and contracts	17,990	16,136
Realized/Unrealized gain (loss) on investments	(45,798)	577,996
Transfers from (to) other funds	(75,671)	(75,537)
<b>Total Operating Revenues</b>	<b>11,865,781</b>	<b>11,657,276</b>
<b>Net Assets Released From Restrictions</b>		
Satisfaction of Purpose Restrictions:		
Annual Appeal	1,833,312	823,362
Restricted Endowments	853,437	1,059,195
General Operating Fund	411,879	392,982
Other funds	127,534	-
<b>Total Revenues</b>	<b>15,091,943</b>	<b>13,932,815</b>
<b>Total Program Expenses (see Table I)</b>	<b>13,949,728</b>	<b>12,142,544</b>
<b>Change in Unrestricted Net Assets</b>	<b>1,142,215</b>	<b>1,790,271</b>
<b>Change in Temporarily Restricted Net Assets</b>		
Grants	886,704	263,000
Contributions, gifts, bequests, and legacies	423,096	19,760
Collections and other	134,534	108,154
Released from restriction	(411,879)	(392,982)
Transfers to other funds	(44,781)	-
<b>Change in Temporarily Restricted Net Assets</b>	<b>987,674</b>	<b>(2,068)</b>
Other changes in net assets	-	(346,833)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>6,664,026</b>	<b>5,222,656</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 8,793,915</b>	<b>\$ 6,664,026</b>

## Table I - Program Expenses

Office of Bishop and Vicars	June 30, 2012	June 30, 2011
Bishop's Office	\$ 309,065	\$ 301,237
Vicar General	125,831	146,241
Vicar for Clergy	298,420	284,515
Chancellor's Office	2,185	3,163
Retired Bishop's Office	138,863	144,353
<b>Total Office of Bishop and Vicars</b>	<b>874,365</b>	<b>879,509</b>
<b>Pastoral Ministries</b>		
Support for Priests:		
International priests enculturation and mentorship	599,510	196,169
Retired priests health care and support	509,420	487,853
Diocesan support for priests	482,129	432,694
Priest auto fund grants	459,684	167,793
Priests long-term care	241,079	180,150
Priests convocation and formation	66,982	48,003
Priests Council	7,982	6,877
Vocations	674,644	591,249
Retreat Centers	490,834	415,017
Tribunal	424,329	470,045
Diaconate	298,514	189,419
Pastoral Planning	238,669	234,991
Worship	103,332	130,650
Pastoral Council	26,339	22,829
Ecumenical Office	2,242	2,986
<b>Total Pastoral Ministries</b>	<b>4,625,689</b>	<b>3,576,725</b>
<b>Catholic Education Ministries</b>		
Office of Catholic Schools	585,546	596,715
Christian Formation	481,829	430,642
<b>Total Catholic Education Ministries</b>	<b>1,067,375</b>	<b>1,027,357</b>
<b>Social and Cultural Ministries</b>		
Justice and Peace	475,953	464,387
Hispanic Ministry	204,956	169,425
Office for Black Catholics and Asian Ministry	160,819	135,765
Refugee and Immigration Services	78,008	75,066
Office of Disabilities	45,989	42,332
Center for Marriage, Family and Life	7,259	-
<b>Total Social and Cultural Ministries</b>	<b>972,984</b>	<b>886,975</b>
<b>Campus, Youth, and Young Adult Ministries</b>		
Campus field operations	844,828	647,064
Youth programs and events	461,971	298,645
Administration and cross-office programs	416,578	296,122
Campus programs and events	90,323	47,110
Young Adult programs and events	52,792	-
<b>Total Campus, Youth, and Young Adult Ministries</b>	<b>1,866,492</b>	<b>1,288,941</b>
<b>Administrative and Financial Services</b>		
Finance	1,043,434	1,019,628
Human Resources	617,048	686,326
Facility operations, repairs and maintenance	592,570	554,861
Information Technology	535,172	554,943
Professional fees and general administration	532,716	210,283
Annual Diocesan Appeal	426,881	497,605
Development	355,872	429,615
USCCB and Virginia Catholic Conference dues	221,571	243,037
Print Shop	111,905	117,666
Archives and Museum	61,257	101,148
Risk Management	32,967	35,180
Diocese of Richmond Housing Corporation	11,430	32,745
<b>Total Administrative and Financial Services</b>	<b>4,542,823</b>	<b>4,483,037</b>
<b>Total Expenses</b>	<b>\$ 13,949,728</b>	<b>\$ 12,142,544</b>

## Discussion and Analysis:

The financial activities of the Pastoral Center are separated into six funds. Fund accounting is a method of accounting used primarily by non-profit entities. Its focus is on accountability over funds received and how those funds are spent, not on profit or loss.

Each fund is a separate accounting entity established for a particular purpose. Also, each fund may be further segregated into three categories, i.e., unrestricted, temporarily restricted, and permanently restricted funds.

Unrestricted funds are those funds used for the general purposes of the non-profit entity's mission. A donor's designation as such is required in order for funds to be considered temporarily or permanently restricted.

As may be inferred by their respective titles, the corpus, or the original amount of a permanently restricted gift may not be spent. Only the income generated from those funds may be used for the donor's intended purpose.

Whereas, temporarily restricted funds may be spent; but, must be used for the purpose named by the donor. These funds may also be referred to as permanent endowments or temporary endowments.

### General Operating Fund – Increase \$2,129,889

The General Operating Fund is where the activities of the Pastoral Center operating budget, its revenues and expenses, for the various diocesan programs and ministries, are recorded. The assessment on parish income, known as the Cathedraticum Tax, accounts for 40 percent of this fund's income. Contributions from elderly housing are the next largest source of revenue at 24 percent. Funds transferred in from the Annual Appeal and Endowments are another important source, comprising 21 percent of revenue.

This fund's financial activities are further segregated into unrestricted funds and temporarily restricted funds. Temporarily restricted funds increased by \$987,674 as a result of \$1.4 million in grants and contributions that were received during the year, net of \$411,879 of restricted funds being released to the operating budget as their purposes were met by carrying out the programs for which they were intended.

Campus ministry and Catholic schools are two of the areas that have been diligent in seeking, and successful at receiving, funding from foundations for their programs. The income from grants is recognized in the year the foundation awards the grant. Certain of these grants are multi-year commitments and although the income is recognized this year, the actual funds are paid over a period of years.

This year, the Pastoral Center received a generous bequest for post secondary scholarships for Catholic school students. The procedure for applying for these scholarships will be announced shortly by the Office for Catholic Schools.

Unrestricted funds increased by \$1,142,215 as a result of higher than expected parish income and the resulting income from the Cathedraticum tax combined with more income from elderly housing than that budgeted. Spending was generally contained within normal budgeted operations other than areas where expenses were higher as a result of the additional funding from the Annual Appeal and grants.

### Financial Highlights:

- > On a combined basis, the Pastoral Center's net assets for the year ended June 30, 2012 increased by \$1,668,245
- > Three of the six funds had increases in net assets and three of the funds had decreases
- > Revenues exceeded expenses in the General Operating Fund, generating a surplus
- > Modest endowments are providing a stable source of revenue for certain programs
- > The Annual Diocesan Appeal exceeded its goal and is supporting the growth of important programs, services, and assistance to those with material needs
- > The Insurance Fund had a good year as claims were lower than expected, increasing its net assets

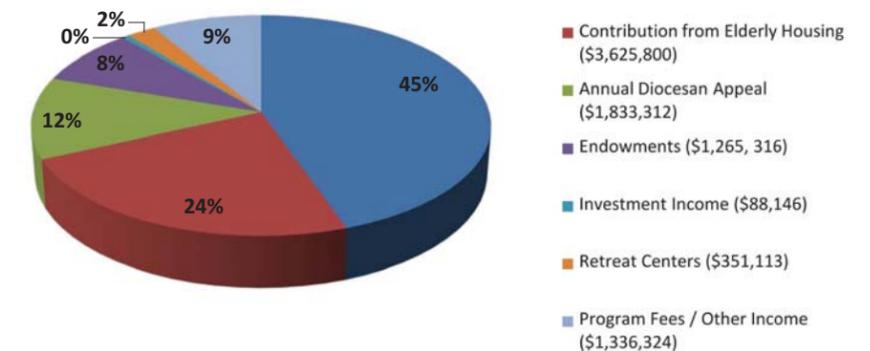
### Financial Challenges:

- > Obligations for the care of our priests in retirement are severely underfunded
- > Debt in the Plant Fund exceeds investments by a wide margin
- > Decreasing the reliance on contributions from elderly housing over the long-term
- > Limited funds to address the "Most Pervasive Challenges at Present" as outlined in the Diocesan Planning Commission's document, "Moving Forward in Faith"
- > Many parishes and schools have debt and many seek to improve their facilities

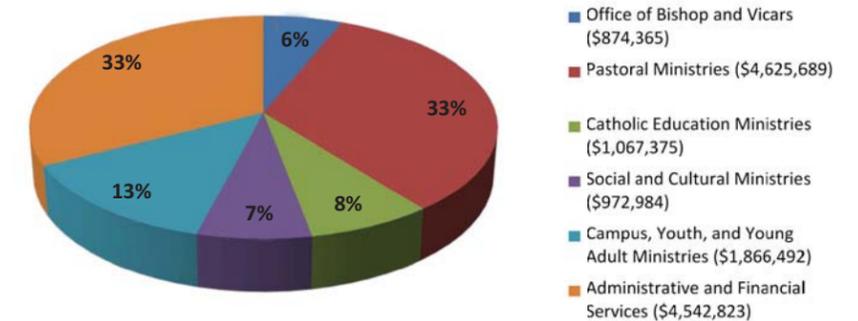
Recently, a subcommittee of the finance council completed a comprehensive review of diocesan finances and issued their report to the Bishop. Strategies are being studied to address these needs and to further improve the Pastoral Center's financial condition.

A discussion of each of the funds' activities and results may be found on the pages that follow.

### Income for General Operations June 30, 2012



### Expenses for General Operations June 30, 2012



<b>Property, Equipment, and Related Debt</b>		
<b>Balance Sheet</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Land held for future parish sites	\$ 502,696	\$ 502,696
Land, buildings, and equipment, net of depreciation	17,909,840	19,815,779
Investments	7,256,866	8,090,586
Note receivable	17,118	23,171
<b>Total assets</b>	<b>\$ 25,686,520</b>	<b>\$ 28,432,232</b>
Notes payable	\$ 9,890,849	\$ 10,443,115
Due to other funds	6,795,554	7,196,280
<b>Total liabilities</b>	<b>16,686,403</b>	<b>17,639,395</b>
Unrestricted net assets	(9,412,419)	(9,525,638)
Net assets invested in property, plant, and equipment	18,412,536	20,318,475
<b>Total net assets</b>	<b>9,000,117</b>	<b>10,792,837</b>
<b>Total liabilities and net assets</b>	<b>\$ 25,686,520</b>	<b>\$ 28,432,232</b>
<b>Statement of Activities</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Investment income	\$ 68,930	\$ 1,457,344
Rental income	290,170	76,809
Other income	30,442	-
Depreciation expense	(1,930,070)	(1,375,510)
General administration	(252,192)	(241,178)
Interest expense	(255,213)	(214,917)
Transfer in	255,213	-
<b>Change in net assets, current year activities</b>	<b>(1,792,720)</b>	<b>(297,452)</b>
Derecognition of investment in elderly housing	-	(12,111,245)
Other changes and reclassifications	-	(98,000)
<b>Total change in net assets</b>	<b>\$ (1,792,720)</b>	<b>\$ (12,506,697)</b>

### Pension and Retirement Accounting Fund – Increase \$411,890

At the beginning of the year, the priests' pension plan had a deficit of \$18.96 million and the obligation to purchase health insurance for retired priests was valued at \$10.92 million, for a combined deficit of \$29.88 million. Each year, these obligations are evaluated by an actuary and the amounts are updated. During the year, the net priests' pension liability was lowered by \$4.0 million primarily as a result of the work of the Priests Benefits Committee, a committee of priests that make recommendations to the Priests Council. Those recommendations included the elimination of an automatic cost-of-living adjustment and making additional contributions to the pension fund at a rate that is higher than the rate recommended by the actuary. These decisions have had the effect of making a significant improvement in the funding level of the plan, increasing it to 57% funded from the previous year's level of 37% funded.

The obligation to purchase health insurance for retired priests was adjusted upward by \$3.6 million as a result of the actuarial analysis of this plan. This year, research by the Human Resources Office was presented to the Priests Benefits Committee regarding different options to provide health insurance for the retired priests. As a result of this work, a decision was made to purchase a fully-insured Medicare supplement plan for our retired priests. It is expected that this decision will have a significant positive impact on the long-term cost of health insurance for retired priests, thereby lowering the actuarially calculated liability.

#### Priest Pension & Retirement Accounting Fund

<b>Balance Sheet</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Priest pension liability, net of pension plan assets	\$ 14,962,089	\$ 18,957,734
Unfunded priest other postretirement benefits liability	14,501,742	10,917,987
<b>Total liabilities</b>	<b>\$ 29,463,831</b>	<b>\$ 29,875,721</b>
Unrestricted net assets	\$ (29,463,831)	\$ (29,875,721)
<b>Total net assets</b>	<b>(29,463,831)</b>	<b>(29,875,721)</b>
<b>Total liabilities and net assets</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Statement of Activities</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Change in priest pension liability	\$ 3,995,645	\$ (2,517,036)
Change in priest postretirement benefit liability	(3,583,755)	(1,228,678)
<b>Change in net assets, current year activities</b>	<b>411,890</b>	<b>(3,745,714)</b>
Accounting Change:		
Recognition of priest pension liability	-	(16,440,698)
Recognition of priest postretirement benefit liability	-	(9,689,309)
<b>Total change in net assets</b>	<b>\$ 411,890</b>	<b>\$ (29,875,721)</b>

### Property, Equipment and Related Debt – Decrease \$1,792,720

As of the end of the fiscal year, the Plant Fund had investments of \$7.3 million and debts of \$16.7 million. The unrestricted net deficit of \$9.4 million was a slight improvement over the prior year's deficit of \$9.5 million. This year, continuing with a practice adopted several years ago, \$1.2 million of the debt principal was paid by selling investments. This has the impact of lowering both the debt and investments; but, has little impact on the deficit.

During the year ended June 30, 2012, expenses exceeded revenues by \$1.8 million. Depreciation expense, a non-cash expense was \$1.9 million. Rental and investment income exceed all other expenses by approximately \$100,000, thereby decreasing the unrestricted deficit by that amount.

#### Insurance Programs

<b>Balance Sheet</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Cash and cash equivalents	\$ -	\$ 221,246
Insurance premium receivable	244,586	265,479
Investments	872,466	782,018
Prepaid expenses and other assets	100,671	27,142
Due from other fund	3,859,561	2,675,089
<b>Total assets</b>	<b>\$ 5,077,284</b>	<b>\$ 3,970,974</b>
Accounts payable and accrued expenses	\$ 136,762	\$ 88,370
Deferred revenue	597,708	537,513
Insurance reserves for open claims	1,189,775	1,311,325
Notes payable	150,000	150,000
<b>Total liabilities</b>	<b>2,074,245</b>	<b>2,087,208</b>
Unrestricted net assets, property & casualty insurance	1,857,969	1,730,551
Unrestricted net assets, health insurance	1,145,070	153,215
<b>Total net assets</b>	<b>3,003,039</b>	<b>1,883,766</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,077,284</b>	<b>\$ 3,970,974</b>
<b>Statement of Activities</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Health insurance assessments	\$ 9,075,434	\$ 8,257,082
Property and casualty insurance assessments	1,799,687	1,554,693
Investment income	5,989	157,244
Health insurance premiums and claims	(8,083,579)	(8,418,043)
Property and casualty insurance premiums and claims	(1,551,804)	(1,842,450)
Transfers out	(126,454)	(122,947)
<b>Change in net assets, current year activities</b>	<b>1,119,273</b>	<b>(414,421)</b>
Other changes and reclassifications	-	(880,406)
<b>Total change in net assets</b>	<b>\$ 1,119,273</b>	<b>\$ (1,294,827)</b>

### Insurance Programs – Increase \$1,119,273

The Pastoral Center administers two self-insurance programs for its operations and the operations of the parishes and schools i.e., health insurance and property and casualty insurance. This fund purchases insurance policies with high deductibles and directly pays most claims as they fall below the deductible. The cost of this fund is allocated to the General Operating Fund and to the parishes and schools. During this year, claims were lower than expected creating a surplus. This year's surplus recovered nearly all of the prior year's deficit of \$1,294,827.

There is an element of risk associated with being self-insured; but, this risk is measured by the benefits received by adopting sound risk management practices. Parishes and schools are visited once every two years by a risk management professionals, and each location receives a report regarding ways to improve safety, and each location is held accountable by requiring a response to the recommendations in the report. Catholic Schools also receive extensive training in the area of security as well.

Exercising good stewardship and by combining the purchasing power of all its parishes and schools, the Diocese as a whole is able to lower the costs of insurance by participating in the Catholic Mutual Group's health insurance buying alliance along with other dioceses, as well as, investing in the Catholic Umbrella Pool risk pooling investment fund and by being a shareholder in The National Catholic Risk Retention Group.

<b>Agency Funds (Annual Appeal, Tuition Assistance, &amp; Collections)</b>		
<b>Balance Sheet</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Cash and cash equivalents	\$ -	\$ 88,737
Pledges and accounts receivable	84,120	57,148
Due from other fund	1,500,136	2,563,608
<b>Total assets</b>	<b>\$ 1,584,256</b>	<b>\$ 2,709,493</b>
Accounts payable and accrued expenses	\$ 49,184	\$ 821,180
Deposits held for others and other liabilities	554,085	882,396
<b>Total liabilities</b>	<b>603,269</b>	<b>1,703,576</b>
Net assets, tuition assistance fund	304,763	24,844
Net assets, annual appeal fund	676,224	981,073
<b>Total net assets</b>	<b>980,987</b>	<b>1,005,917</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,584,256</b>	<b>\$ 2,709,493</b>
<b>Statement of Activities</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Annual Diocesan Appeal	\$ 3,144,793	\$ 3,080,331
Tuition assistance assessments	746,493	587,086
Contributions and other income	169,999	38,521
Transfers (to)/from other funds	(193,484)	198,484
Other expenses	(82,000)	-
Annual appeal case elements, including parish share	(3,449,667)	(2,103,725)
Tuition assistance awards	(361,064)	(794,780)
<b>Change in net assets, current year activities</b>	<b>(24,930)</b>	<b>1,005,917</b>
Other changes and reclassifications	-	(1,224,515)
<b>Total change in net assets</b>	<b>\$ (24,930)</b>	<b>\$ (218,598)</b>
<b>Agency Funds – Decrease \$24,930</b>		
<p>Agency funds include the activities of the Annual Diocesan Appeal, Tuition Assistance and Collections. These activities may all be described as pass-through activities. This fund is used to segregate these funds from other general operating funds in order to ensure that they are used for their intended purpose and to facilitate detailed internal reporting of the sources and uses of these funds to those responsible for their administration.</p> <p>As of the end of the year, any fund balance is simply the result of the timing between when the funds were received and when they are disbursed. For example, national collections are forwarded to the respective organization within six weeks of the collection. Annual appeal and tuition assistance funds are forwarded to the parishes and schools as soon as reasonably possible once all the necessary information is received.</p>		

**Restricted Endowments – Decrease \$175,157**

Over the years, the Pastoral Center has been fortunate to receive generous gifts and bequests. These funds are invested in a diversified portfolio of stocks and bonds under the supervision of the investment committee of the Diocesan Finance Council. During the year ended June 30, 2012, the S & P 500 earned 5.5% and bonds returned 7.5%. Global equities were down 5.0% during the fiscal year.

Each year, a certain amount of money from the restricted endowments is spent in accordance with their respective spending policies. During this year, \$882,719 was released and transferred to the General Operating Fund for specific programs and ministries. Vocations and Catholic Education are the two largest endowments that provide an important source of stable, annual revenue.

This year, like some years, the assets released or spent exceeded the investment income earned on these assets. Other years, like the prior year ended June 30, 2011, investments did extremely well and exceeded the funds spent by \$2,099,552. Permanently restricted funds are invested and spent in such a way so that these funds may perpetually contribute towards the donor's intended purpose. Temporarily restricted funds are invested in a similar way in order to generate investment income until those funds are spent.

<b>Restricted Endowments</b>		
<b>Balance Sheet</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Investments	19,071,151	19,369,962
Beneficial interest in perpetual trust	682,789	711,165
Due from other fund	300,000	300,000
<b>Total assets</b>	<b>\$ 20,053,940</b>	<b>\$ 20,381,127</b>
Accounts payable and accrued expenses	\$ -	\$ 152,030
<b>Total liabilities</b>	<b>-</b>	<b>152,030</b>
Unrestricted net assets	(20,198)	(20,996)
Temporarily restricted net assets	12,567,764	13,113,240
Permanently restricted net assets	7,506,374	7,136,853
<b>Total net assets</b>	<b>20,053,940</b>	<b>20,229,097</b>
<b>Total liabilities and net assets</b>	<b>\$ 20,053,940</b>	<b>\$ 20,381,127</b>
<b>Statement of Activities</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Investment income	\$ 234,802	\$ 3,313,097
Contributions and collections	472,760	15,066
Transfers out, current operations	(853,437)	(1,059,195)
Catholic education ministries	(29,282)	(169,416)
<b>Change in net assets, current year activities</b>	<b>(175,157)</b>	<b>2,099,552</b>
Other changes and reclassifications	-	(149,590)
<b>Total change in net assets</b>	<b>\$ (175,157)</b>	<b>\$ 1,949,962</b>

**TRENDS AMONG CATHOLICS**

Despite growing numbers of registered Catholics, weekend Mass attendance in the diocese has decreased in recent decades, as it has nationwide. The Pew Research Forum Landscape Survey of 2007 reported that throughout the U.S. one-third of Catholics under age 30 say they attend worship services at least once a week compared to 43 percent of those age 30 and older—and more than half of those 65 and older.

Diocesan statistics over the last 35 years also show a decline in the number of people continuing sacramental preparation. In the Richmond Diocese, the percentage of children being baptized has consistently decreased since 1987. The percentages of those receiving First Eucharist and the Sacrament of Confirmation show even further decline.

The sacrament showing the greatest decline in recent years, here and nationally, is Marriage. In the Richmond Diocese, marriages dropped from 1,269 in 1985 to 781 in 2009.

Not surprisingly, the Catholic population is aging with the age group experiencing the greatest percentage growth being people over age 60.

While the general Catholic population in the U.S. has held steady at 25 percent, Pew's analysis of changes in religious affiliation shows Catholicism has lost more people to other religions or to no religion at all than any other single religious group.

Statistically, those losses are partly offset by the sig-

nificant number of Catholics who have immigrated to the U.S. (Our diocese has slower growth in Hispanic immigrant Catholics, but a greater percentage of Asian-born Catholics, than the nation as a whole.)

**WHAT WE VALUE**

● **Celebration of the Sacraments, especially Holy Eucharist**

We appreciate good homilies, good music and meaningful Eucharistic celebration

● **Engaged Youth**

We understand the importance of keeping our youth involved in the faith. We seek to provide good religious education and engage youth through diocesan gatherings that address their questions and concerns with speakers and opportunities to interact with their peers.

● **Cultural Diversity**

We value diversity in our clergy, parishioners, activities and liturgy, understanding that we grow when we learn from other cultures. Being Catholic means being inclusive, and we recognize we are part of a global Church.

● **Corporal Works of Mercy**

Outreach to the poor and marginalized continues

to be a hallmark of our diocese, particularly at the parish level.

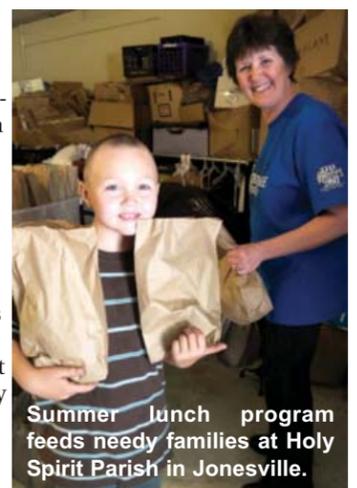
● **Accountable Business Practices**

We have been entrusted with carrying out certain functions and strive to be good stewards of the resources we've been given. We have established checks and balances to make sure people act honestly and comply with required reports.

**SIGNS OF THE TIMES**

● **Depressed Economic Times**

As our nation continues recovering from economic recession, many people are feeling the effects of long-term unemployment. This means financial strain for individual parishioners as well as stressed parish efforts in outreach ministry. It also reduces the ability of some parishioners to support the church.



Summer lunch program feeds needy families at Holy Spirit Parish in Jonesville.



Ordained to the diaconate on Nov. 3 at the Cathedral of the Sacred Heart.

● **More People Not Attending Church**

An attitude of “I’m spiritual, not religious” prevails as many people believe it is unnecessary to worship as a community.

● **Crisis in Trust of the Church**

This is a result of both recent sexual abuse scandals and incidents of individuals in positions of authority caught stealing.

● **Declining Number of Priests and Women Religious**

Additionally, those still serving are aging and retiring at a faster rate than new religious vocations are able to replace them.

● **A Polarized Culture**

Tensions, particularly among ethnic and political groups, spill into the entire society.

● **Eroding Moral Values**

There is a breakdown in family structures, particularly marriage, and an increasing culture of violence.

● **Diminishing Middle Class**

Over the last decade, income inequality has grown and more people are living below the poverty line.

● **“Going Green”**

People are becoming more aware of our “global footprint” on the environment, giving more attention to recycling, energy efficient architectural design and reducing our dependence on fossil fuels.

● **Implementation of the New Roman Missal**

Begun in November, 2011, this presented a challenge in change, including the expense to parishes of providing new worship materials and the possibility that some people might use it as an excuse to leave regular practice of the faith.

● **War and Terrorism**

We are still at war.

**OUR STRENGTHS**

● **Organization**

The diocese has streamlined and improved its administrative structure at the Pastoral Center and beyond, including requiring job descriptions for diocesan and parish employees and developing a Handbook for Administrative Procedures and a Pastoral Plan.

● **Faith Formation**

There’s increasing emphasis on training for catechists at all levels—diocesan and parish, staff and volunteers. The diocesan training program, Pathways, has been streamlined. Highly regarded speakers also have brought their scholarship and insights to parish programs to enrich spiritual growth and help all the faithful to live the Gospel in today’s world.

● **Inclusion of All People**

The Office of Disabilities has helped increase awareness of the gifts people with disabilities bring to their parishes and has improved opportunities for their participation in our faith. There has been a concerted effort to make diocesan bodies more ethnically diverse. Recruitment of priests from other countries has enhanced the cultural education of parishes in which they serve.

● **Diaconate Program**

The diocesan diaconate continues to grow and its formation program is a model for other dioceses. Besides ordained deacons, deacon candidates and their wives serve in a variety of roles, increasing the number of people called and trained for ministry in the diocese.

● **Solidarity with the Poor**

The Diocese of Richmond continues to be recognized for its efforts to aid the poor and marginalized in the U.S. and around the world. Parish and young adult programs, such as college “Alternate Spring Break” missions, encourage volunteers to serve the poor in inner cities, Appalachia, Haiti and elsewhere. Most parishes also participate in local outreach efforts as well.

**OUR MOST PERVASIVE CHALLENGES AT PRESENT**

● **Reaching Out to Fallen-away Catholics**

We must determine why people continue to leave active participation in the church, and find sincere, generous ways to welcome them back.

● **Infrastructure and Support of Parishes**

Many parishes struggle financially causing concern about maintaining our parish and school physical plants as they age.

● **Ministering Effectively to Diverse Family Structures, Cultures, etc.**

The influence of media and dominant secular culture on family structures and lifestyles calls the church to adapt to “living in both worlds” in continuing to bring people to faith and minister to those in difficult circumstances.

● **Economic Hardship and Uncertainty**

Unemployment, job insecurity and mortgage foreclosures are among the many factors contributing to the current economic uncertainty that affects families and the local church. There is greater demand on social outreach ministry for assistance, and financially struggling families are unable to contribute to support the parish.

● **Affordability of Catholic Schools**

As operating costs have gone up, tuition has increased. Consequently, many middle-income families who desire a Catholic education for their children can’t afford it. With decreasing enrollment and parishes finding it difficult to maintain their share of school expenses, it is becoming harder to keep schools open and affordable.



Second grade class at All Saints School, Richmond.

● **Caring for a Growing Elderly Population**

People are living longer but not necessarily healthier. Many parishes have found the best service they can provide to elderly parishioners is elder care or nursing care.

● **Declining Number of Clergy and Supporting Clergy**

The number of priests in the diocese has decreased while their average age has increased. Without the assistance of international priests some parishes would have had to close or go without weekend liturgy.



Bishop DiLorenzo blesses new baby at the Hispanic Fiesta Mass at the Cathedral of the Sacred Heart on June 24, 2012.

● **Meeting Pastoral and Sacramental Needs of Minorities, Especially Hispanics**

Although integrating minorities into parish life is preferable to having separate cultural communities within parishes, it is difficult to accomplish. It also is hard to meet the needs of a growing number of Hispanic parishioners in the diocese because of a lack of trained ministers who speak Spanish.

● **Retention of Youth and Young Adults**

While the number of Catholics regularly practicing their faith is falling, the most dramatic decline in is in the under-30 age group.

● **Recruiting, Training and Supporting Lay Leadership**

Many people are called to serve the church in non-ordained roles. Lay people need good training and parishes must be made aware that while some can volunteer, paid professional ministers are needed as well.

● **Learning to Use Technology to Benefit the Church**

Advances in technology present both opportunities and challenges. While technology can improve communication, especially over longer distances, it also can weaken connection and relationship because of a lack of human contact.

● **Resistance to Gathering as Church Community**

Other Sunday activities are taking priority over Sunday Mass and church activities for many families. People also meet and communicate in ways other than coming together. We must determine how to take advantage of learning opportunities through new technology while keeping worshipping communities together.