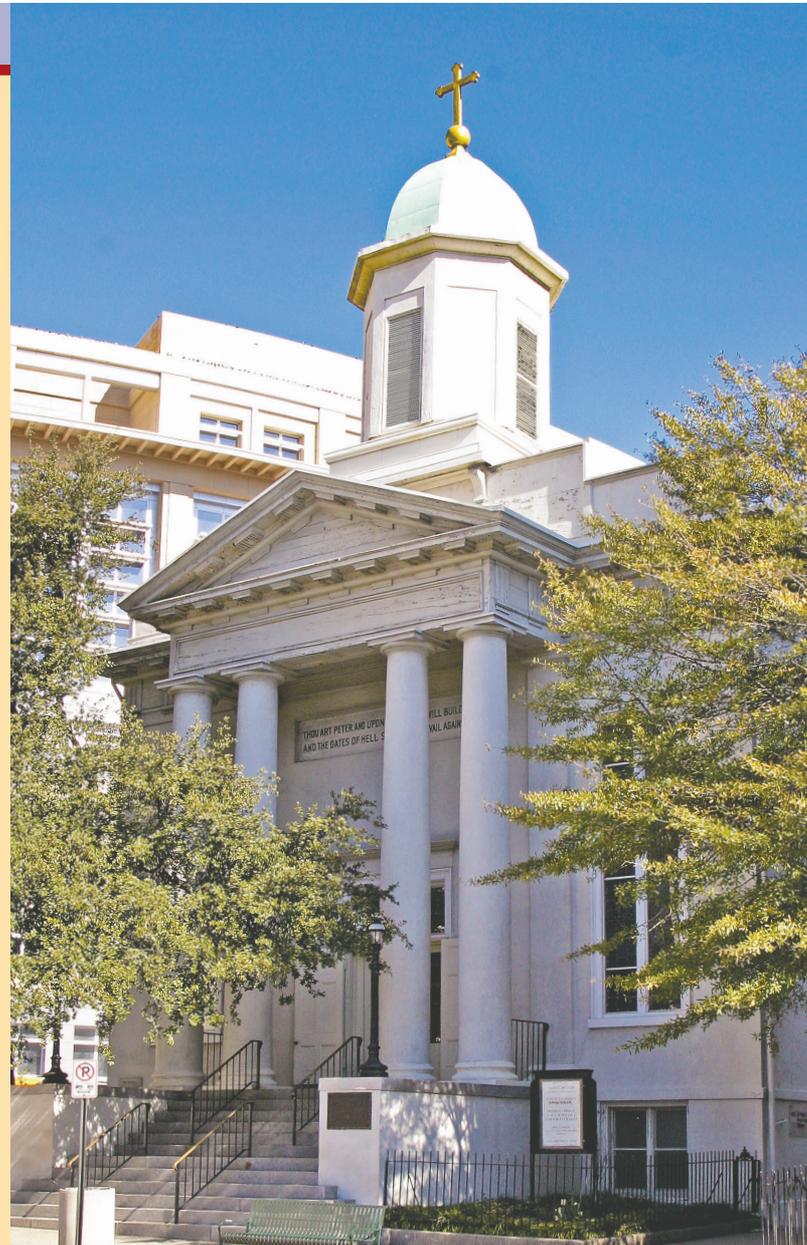


THE CATHOLIC DIOCESE of RICHMOND

2013 Annual Report



St. Peter's Church, Richmond



Bishop DiLorenzo blesses the new marble altar at the restored church, St. Rose of Lima and Korean Martyrs Parish in Hampton. At the left are Fr. Simon Ahn, Pastor and Deacon Paul Mahefky.



Bishop DiLorenzo with students at All Saints Catholic School, where he received the Sorin Award for Service to Catholic Education from the University of Notre Dame.

Letter from the Bishop

My dear Sisters and Brothers in Christ,

I am pleased to introduce the 2013 Annual Report for the Administrative Offices of the Catholic Diocese of Richmond. Each year I publish this summary report of our finances and highlight important work occurring at the diocesan level. Those wishing to review the complete set of audited financial statements can find them on the Diocese's website at www.richmonddiocese.org.

This year there are a number of important financial matters I want to share with you. I want to share what I believe is our good stewardship of diocesan funds in the last year, but also tell you about challenges we face in our future. To that end, after an historic vote, my brother priests and I have agreed to undertake a major effort that we believe, with God's help, will enable the Diocese to meet upcoming obligations of great concern.

This report covers the work of the central offices and various, centrally administered funds. These "diocesan level" programs benefit all parishes and schools as well as Catholics on the many college campuses in our Diocese, in prisons, and through other social ministries.

To manage the budget, each year I meet with staff and review our goals within the context of our diocesan pastoral plan. We conduct a thorough review of each office and budget request. With the recommendations of my administrative advisory council, we determine whether to fund requests in whole or part – or whether to use those funds elsewhere. This year it was necessary to reduce funding to certain offices in order to maintain balance in our budget.

Assisting and advising me in the oversight of financial matters is the diocesan finance council. Together, we prepare financial plans for the stewardship of the resources entrusted to me to carry out our Catholic mission. Finally, we report on these activities to the faithful. I am accountable to you who contribute from your personal resources, without which our Church would not be able to function effectively.

Because of your generous contributions, combined with investment and other income, the Diocese accomplished much: we implemented many programs, set aside money for our retired priests, and paid debts — and we ended the year with a much needed annual surplus. We are taking steps to manage diocesan finances responsibly and this year's positive financial result will help strengthen our Church's financial situation in several critical ways. However, we still have much work to do.

For this upcoming year, we are increasing funding for Hispanic ministries, the Virginia Catholic Conference, Evangelization of Youth and Young Adults, and for a priest who will begin studies as a Canon lawyer. We have allocated additional funds for communications, marketing our Catholic schools, and for vocations. I am happy to report that we currently have 22 men studying for the priesthood, more than we have had in recent memory.

Elsewhere, other offices will receive less funding, including pastoral planning, social ministries and the permanent diaconate. While we did not replace a position in

the former Office of Justice and Peace, now known as the Office of Social Ministry, I have asked for six permanent deacons to serve this important ministry alongside our professional staff.

Our Diocese has many financial challenges ahead for which we must prepare: our current debts exceed our investments. We have a gap in the necessary funds to meet our obligations to retired priests. In recent years we have relied on excess funds from residential elder care facilities to balance the budget, but this is a funding source we don't expect to continue at current levels.

After receiving an analysis of the financial challenges facing the Diocese from staff and a committee from the diocesan finance council, I authorized a feasibility study for a diocesan capital campaign. I wanted to ensure pastors were aware of the Diocese's financial needs while we consider how to address the challenging pastoral needs outlined in our diocesan plan. In addition to priests, the feasibility study included interviews with approximately fifty of the lay faithful to gauge their support.

At the conclusion of the study and after a report was given to all pastors, I convened a meeting in which each pastor was asked to vote on whether the Diocese should proceed with a campaign. Eighty-four percent of the pastors voted in favor of the campaign. Two pastors didn't vote because they were out of the country and unable to submit an absentee ballot. In today's environment, having such a large majority of leadership agree on any major decision is quite remarkable!

I asked that we follow this unprecedented voting process because I wanted to ensure the pastors who would be required to lead this effort in their parishes were given the opportunity to decide whether they supported the campaign. Their support is essential if they are to make the case to you, the lay faithful. Likewise, I pledge my support and I will do my part to lead this

effort to secure our financial future.

In the coming weeks and months, you will hear more about this campaign as the Pastors Campaign Committee and staff continues their work, assisted by Greater Mission, our outside counsel for this campaign.

As your shepherd, I prefer to spend my time and energy teaching the faith, and working with my brother priests to address the many pastoral needs of our Diocese. Nevertheless, financial responsibility and stewardship are necessary duties in making the work of the Church possible. Managing our annual budget with prudence, the ongoing importance of the Annual Diocesan Appeal, and the new campaign will all be very important to fulfilling the mandate we have been given to build the Kingdom of God in our time and place. I remain always thankful for your tremendous support on our journey.

Sincerely yours in Christ,



Most Rev. Francis X. DiLorenzo
Bishop of Richmond

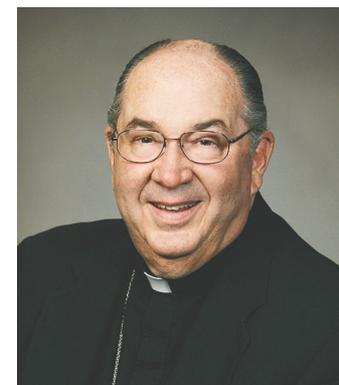


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MISSION

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.

Vocations ... a new generation joyfully responds to the Call of the Lord



Bishop DiLorenzo met the seminarians for Mass and lunch at Our Lady of Lourdes Church this summer.

Through the years, the Diocese of Richmond has been blessed with many good, holy vocations to the priesthood. Along with the 18 men that Bishop DiLorenzo has ordained to the priesthood over the past nine years, currently, there are 22 men in seminary formation for the diocese. As Bishop DiLorenzo recently noted, “the future of priestly vocations is very hopeful!” Indeed, over the next five years, we should expect 10–12 men ordained to the priestly ministry.

Each year through the generous support of the lay faithful, the Office of Vocations oversees a threefold task of inviting youth and young adults to discern God’s Call in their lives, supporting qualified candidates in the application process for seminary, and guiding candidates through the multi-year seminary program.

Significantly, the diocese invests approximately \$50,000 annually for each seminarian for education, health insurance, living expenses and other related costs. Generally, the seminary program extends from 5–7 years, including a 15-month pastoral year in which the seminarian is assigned to serve in a parish of the diocese where he gains first-hand experience working under the guidance of a pastor.

Along with direct support of seminarian formation, the Office of Vocations also coordinates and funds numerous discernment programs for youth, young adults, and college students. These efforts include Teen Emmaus Days for high school youth, Project Melchizedek Discernment Groups at our college campuses, Vocation Masses

and Holy Hours on college campuses, and the annual Duc in Altum (“Put out into the Deep”) Retreat for college age and young adult men to begin hearing the Lord’s call in their lives.

In partnership with the Office of Evangelization for Youth and Young Adults, the Office of Vocation sponsors “Ignite” nights throughout the year — evenings of adoration of the Blessed Sacrament with praise and worship music to foster discipleship and vocations among our young people. Likewise, diocesan seminarians attend and promote holy vocations at the annual Diocesan Youth Conference, Virginia College Summit, and Men’s Conference.

With Father Michael Boehling, Vicar for Vocations, Father Kevin Segerblom and Father Dan Beeman support the work of vocations and help with retreats and regional promotion of vocations.



Vicar for Vocations, Rev. Michael Boehling, introduces seven new seminarians for the Diocese of Richmond.



Newly ordained Father Gino Rossi celebrates the first Mass of the 2013–2014 school year at Peninsula Catholic High School in Newport News.

There is much Good News in our diocesan church, today. As He has for 2,000 years, Jesus continues to invite men and women to follow him into a new life — a new way of living. Through the generous support of parishioners across the diocese, a new generation of youth and young adults will not only be able to hear the Call of the Lord — but, also, set out with Him to find the true purpose of their lives with God.



Catholic Presence in the Diocese of Richmond

The Bishops of Richmond have created parishes, schools, and many other institutions to carry out the work of the Catholic Church in the Diocese of Richmond.

Bishop of Richmond

PARISHES & MISSIONS

149 parishes serving
227,000 Catholics

CAMPUS MINISTRY

68 college campuses
and 88,000 Catholic
college students

CATHOLIC SCHOOLS

24 schools enrolling
9,300 students

RETREAT CENTERS

Jubilee House, Abingdon
Shalom House, Montpelier

MCMAHON-PARATER FOUNDATION FOR EDUCATION

Financial support for
Catholic schools

THE CATHOLIC VIRGINIAN

Circulation of 75,500

RESIDENTIAL ADULT CARE CENTERS

Marian Manor, Virginia Beach
Our Lady of Hope, Richmond
Our Lady of Peace, Charlottesville
Our Lady of Perpetual Help,
Virginia Beach
Our Lady of the Valley, Roanoke
Saint Francis Home, Richmond
Diocesan Housing Corporation
Bishop’s Foundation

VIRGINIA CATHOLIC CONFERENCE

Public Policy
Advocacy Organization

CATHOLIC SOCIAL AND HUMAN SERVICE AGENCIES

Commonwealth Catholic
Charities (9 offices)
Catholic Charities of
Eastern Virginia (6 offices)

CATHOLIC ORGANIZATIONS AND ASSOCIATIONS

The Catholic presence is further enhanced by Catholic organizations in the Diocese such as Catholic hospitals, private and religious Catholic schools and ministries and programs of the many Catholic communities of religious men and women.

Discussion and Analysis of Financial Statements

Administrative Offices of the Catholic Diocese of Richmond

During the fiscal year ended June 30, 2013, the Administrative Offices of the Catholic Diocese of Richmond experienced increases in all six fund accounting areas, each of which is discussed on the following pages. Progress has been made with regard to closing gaps between the long-term obligations for the priests' pension and postretirement health benefit obligations.

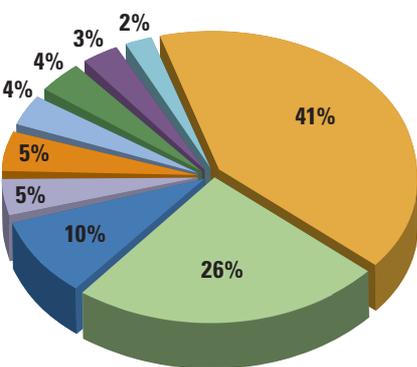
Despite this significant progress, the underfunded position of these two obligations remains above \$20 million. Investment income and the sale of properties have assisted with the deficit in the Plant Fund, reducing this deficit from \$9.4 million as of the beginning of the year to \$6.7 million.

General Operating Fund

Total revenue of \$15.7 million exceeded operating expenses of \$15.1 million, resulting in an increase in unrestricted net assets of \$604,898. Revenues, before transfers, increased by \$1.8 million primarily as a result of revenue from elderly housing, investment income, and grants. Many new programs were funded by grants and the annual appeal, causing the release of restricted funds, which has the effect of increasing revenue in the general operations.

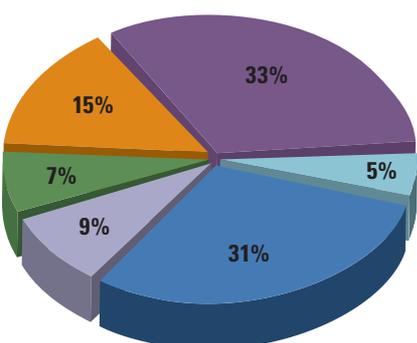
Total program expenses of \$15.1 million increased by \$1.1 million or 8.1%, over the prior year. Spending in the areas of Catholic Education, Evangelization of Youth & Young Adults, and Hispanic Ministries saw increases as new programs funded by grants and the annual appeal were undertaken. Administrative and financial services increased as support for new programs and the development of resources increased. Included in administrative services are one-time fees for the feasibility study on a diocesan capital campaign and professional fees associated with actuarial services related to additional analysis of the two diocesan defined benefit pension plans, and are not a part of on-going operating expenses.

Income for General Operations June 30, 2013



- **Diocesan Assessments — \$7,041,065**
- **Contributions from Elderly Housing — \$4,482,271**
- **Annual Diocesan Appeal — \$1,727,715**
- **Endowment Income — \$842,721**
- **Program Revenue, Fees, and Other Income — \$798,674**
- **Contributions, gifts, bequests, legacies, and collections — \$618,829**
- **Grants and Contracts — \$590,379**
- **Investment Income — \$527,967**
- **Retreat Centers — \$357,939**

Expenses for General Operations June 30, 2013



- **Office of Bishop and Vicars — \$782,051**
- **Pastoral Ministries — \$4,632,847**
- **Catholic Education Ministries — \$1,328,549**
- **Social and Cultural Ministries — \$1,037,796**
- **Evangelization of Youth and Young Adults — \$2,238,525**
- **Administrative and Financial Services — \$5,061,855**

GENERAL OPERATING FUND Financial Statements

BALANCE SHEET	JUNE 30, 2013	JUNE 30, 2012
Cash and cash equivalents	\$ 1,461,213	\$ 644,339
Accounts receivable	2,698,435	2,302,906
Investments	8,289,853	7,234,441
Due from other fund	-	1,135,300
Prepaid expenses and other assets	221,893	299,804
Total Assets	\$12,671,394	\$ 11,616,790
Accounts payable and accrued expenses	\$ 1,566,294	\$ 560,068
Deposits held for others and other liabilities	270,100	524,726
Due to other fund	662,446	-
Notes payable	823,869	1,738,081
Total Liabilities	3,322,709	2,822,875
Unrestricted net assets for operations	2,768,624	2,415,461
Designated net assets:		
Investments operating as endowments	3,816,787	3,556,478
Priest Auto Fund	1,210,384	1,272,747
Programs	134,223	80,434
Temporarily restricted net assets	1,418,667	1,468,795
Total Net Assets	9,348,685	8,793,915
Total Liabilities and Net Assets	\$12,671,394	\$ 11,616,790

STATEMENT OF ACTIVITIES	JUNE 30, 2013	JUNE 30, 2012
Operating Revenues		
Diocesan Assessments:		
Cathedraticum	\$ 6,180,020	\$ 6,194,837
Priests	687,070	467,265
Other	173,975	185,043
Contributions from elderly housing facilities	4,482,271	3,625,800
Program revenue	648,601	650,432
Retreat Centers	357,939	351,113
Realized/Unrealized gain (loss) on investments	334,166	(45,798)
Contributions, gifts, bequests, legacies, and collections	190,152	272,510
Interest and dividend income	188,739	133,944
Refunds and reimbursements	103,382	45,169
Other fees and charges	46,168	43,147
Grants and contracts	33,914	17,990
Transfer to McMahon-Parater Foundation	(397,897)	-
Transfers to other funds	(957,559)	(75,671)
Total Operating Revenues	12,070,941	11,865,781

NET ASSETS RELEASED FROM RESTRICTIONS

Satisfaction of Purpose Restrictions:		
Annual Appeal	1,727,715	1,833,312
General Operating Fund	1,045,144	411,879
Restricted Endowments	842,721	853,437
Other funds	-	127,534
Total Revenues	15,686,521	15,091,943

Total Program Expenses (see Table I)	15,081,623	13,949,728
Change in Unrestricted Net Assets	604,898	1,142,215

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS

Grants	556,465	886,704
Contributions, gifts, bequests, and legacies	325,674	423,096
Collections and other	108,586	134,534
Released from restriction	(1,045,144)	(411,879)
Transfers to other funds	4,291	(44,781)
Change in Temporarily Restricted Net Assets	(50,128)	987,674

Other changes in net assets	-	-
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NET ASSETS, BEGINNING OF YEAR	8,793,915	6,664,026
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NET ASSETS, END OF YEAR	\$ 9,348,685	\$ 8,793,915
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TABLE I Program Expenses

OFFICE OF BISHOP AND VICARS	JUNE 30, 2013	JUNE 30, 2012
Bishop's Office	\$ 313,675	\$ 309,065
Vicar General	72,761	125,831
Vicar for Clergy	278,269	298,420
Vicar for Pastoral Services	27,262	-
Chancellor's Office	1,658	2,185
Retired Bishop's Office	88,426	138,863
Total Office of Bishop and Vicars	782,051	874,365
PASTORAL MINISTRIES		
Support for Priests:		
International priests enculturation and mentorship	593,839	599,510
Diocesan support for priests	492,283	482,129
Retired priests health care and support	466,969	509,420
Priest auto fund grants	422,541	459,684
Priests long-term care	240,171	241,079
Priests convocation and formation	88,542	66,982
Priests Council	6,509	7,982
Vocations	866,229	674,644
Tribunal	479,565	424,329
Retreat Centers	435,824	490,834
Pastoral Planning	264,959	238,669
Permanent Diaconate	186,544	298,514
Diocesan Theologian / Worship	83,863	103,332
Pastoral Council	3,721	26,339
Ecumenical Office	1,288	2,242
Total Pastoral Ministries	4,632,847	4,625,689
CATHOLIC EDUCATION MINISTRIES		
Office of Catholic Schools	793,198	585,546
Christian Formation	535,351	481,829
Total Catholic Education Ministries	1,328,549	1,067,375
SOCIAL AND CULTURAL MINISTRIES		
Justice and Peace (Social Ministries)	483,555	475,953
Hispanic Ministry	260,365	204,956
Office for Black Catholics and Asian Ministry	163,508	160,819
Refugee and Immigration Services	78,000	78,008
Office of Disabilities	36,072	45,989
Center for Marriage, Family and Life	16,296	7,259
Total Social and Cultural Ministries	1,037,796	972,984
EVANGELIZATION OF YOUTH AND YOUNG ADULTS		
Campus field operations	1,071,830	844,828
Youth programs and events	512,118	461,971
Administration and cross-office programs	388,696	416,578
Young Adult programs and events	141,499	52,792
Campus programs and events	124,382	90,324
Total Evangelization of Youth and Young Adult	2,238,525	1,866,492
ADMINISTRATIVE AND FINANCIAL SERVICES		
Finance	1,125,794	1,043,434
Human Resources	698,042	617,048
Information Technology	638,973	535,172
Development	558,079	355,872
Facility operations, repairs and maintenance	546,026	592,570
Professional fees and general administration	529,857	532,716
Annual Diocesan Appeal	410,222	426,881
USCCB and Virginia Catholic Conference Dues	309,965	221,571
Copy Services	127,426	111,905
Archives and Museum	71,314	61,257
Risk Management	36,578	32,967
Diocese of Richmond Housing Corporation	9,579	11,430
Total Administrative and Financial Services	5,061,855	4,542,823
Total Expenses	\$ 15,081,623	\$ 13,949,728

Restricted Endowments

BALANCE SHEET	JUNE 30, 2013	JUNE 30, 2012
Investments	\$ 20,696,467	\$ 19,071,151
Beneficial interest in perpetual trust	698,678	682,789
Due from other fund	-	300,000
Total assets	\$ 21,395,145	\$ 20,053,940
Unrestricted net assets	\$ (14,869)	\$ (20,198)
Temporarily restricted net assets	13,887,751	12,567,764
Permanently restricted net assets	7,522,263	7,506,374
Total net assets	\$ 21,395,145	\$ 20,053,940

STATEMENT OF ACTIVITIES	JUNE 30, 2013	JUNE 30, 2012
Investment income	\$ 2,378,047	\$ 234,802
Contributions and collections	17	472,760
Transfers out, current operations	(842,721)	(853,437)
Catholic education ministries and administrative expenses	(194,138)	(29,282)
Change in net assets	\$ 1,341,205	\$ (175,157)

Restricted Endowments — The Diocese's restricted endowments increased \$1.3 million during the year, primarily as a result of \$2.4 million in investment income. The amount of \$842,721 was released from endowments to assist in funding vocations, educational, and other ministries. Catholic education endowments provided \$194,138 in tuition assistance scholarships to the McMahon Parater Foundation for Education for low income families attending Catholic schools.

As of the end of the year, there are \$20.4 million in restricted endowments. Income from these endowments accounts for 5.0% of the Diocese's total revenues and provides a stable source of income for these important ministries.

Priest Pension & Retirement Accounting Fund

BALANCE SHEET	JUNE 30, 2013	JUNE 30, 2012
Priest pension liability, net of pension plan assets	\$ 11,199,668	\$ 14,962,089
Unfunded priest other postretirement benefits liability	9,027,190	14,501,742
Total liabilities	\$ 20,226,858	\$ 29,463,831
Unrestricted net assets	\$ (20,226,858)	\$ (29,463,831)
Total net assets	(20,226,858)	(29,463,831)
Total liabilities and net assets	\$ -	\$ -

STATEMENT OF ACTIVITIES	JUNE 30, 2013	JUNE 30, 2012
Change in priest postretirement benefit liability	\$ 5,474,552	\$ (3,583,755)
Change in priest pension liability	3,762,421	3,995,645
Change in net assets	\$ 9,236,973	\$ 411,890

Priest Pension and Retirement Accounting Fund — Established three years ago to record the obligations associated with retired priests, this fund reflects net liabilities of \$20.2 million as of the end of the year, and the changes in the fund balances related to priests' retirement liabilities.

As of the end of the year, the priest pension fund held \$11.9 million in assets to pay the projected \$23.1 million in accrued benefit obligations, resulting in an underfunded status of \$11.2 million, representing a 51.5% funded status. This is an improvement from the 39.7% funded status as of the prior fiscal year end and is a result of actuarial gains and investment income recognized during the year. A Priests Benefits Committee, chaired by Msgr. Timothy Keeney, works closely with diocesan staff to monitor these plans. Changes over the years, such as temporarily freezing the annual priests' pension benefit and increased contributions from the Annual Diocesan Appeal have assisted with closing the funding gap.

Currently, there are no assets set aside for health insurance for retired priests. The diocese funds this benefit on a pay as you go method. The liability was reduced by \$5.5 million during the year as the Diocese adopted a fully insured Medicare supplement plan for retired priests. This liability remains at \$9.0 million as of the end of the year.



Retired priest, Father Gallagher (right) with two close priest-friends who regularly visit him, Fr. Capuano (left) and Msgr. Golden (center).

Self-Insurance Programs

BALANCE SHEET	JUNE 30, 2013	JUNE 30, 2012
Accounts receivable	\$ 9,000	\$ -
Insurance premium receivable	144,517	244,586
Investments	1,882,803	872,466
Prepaid expenses and other assets	42,335	100,671
Due from other fund	3,978,556	3,859,561
Total assets	\$ 6,057,211	\$ 5,077,284
Accounts payable and accrued expenses	\$ 137,382	\$ 136,762
Deferred revenue	-	597,708
Insurance reserves for open claims	1,053,299	1,189,775
Notes payable	150,000	150,000
Total liabilities	1,340,681	2,074,245
Unrestricted net assets, health insurance	2,593,664	1,145,070
Unrestricted net assets, property & casualty insurance	2,122,866	1,857,969
Total net assets	4,716,530	3,003,039
Total liabilities and net assets	\$ 6,057,211	\$ 5,077,284

STATEMENT OF ACTIVITIES	JUNE 30, 2013	JUNE 30, 2012
Health insurance assessments	\$ 9,506,591	\$ 9,075,434
Property and casualty insurance assessments	1,934,706	1,799,687
Investment income	81,869	5,989
Health insurance premiums and claims	(8,130,784)	(8,083,579)
Property and casualty insurance premiums and claims	(1,554,783)	(1,551,804)
Transfers out	(124,108)	(126,454)
Change in net assets	\$ 1,713,491	\$ 1,119,273

Self-Insurance Programs — The Diocese operates two self insurance programs and is able to leverage the combined purchasing power of the parishes and schools to reduce cost of property and casualty insurance, as well as health insurance.

The diocesan property and casualty program is essentially a risk pooling fund for the parishes and schools. The diocese is able to set high deductibles at the diocesan level which lowers the insurance premiums paid to insurance companies. The parish and school deductibles are set at \$500 per claim, whereas the diocesan self-insured retention or deductible is set at \$50,000 per claim. In recent years, the parishes and schools have experienced fewer claims, thereby allowing the fund to build reserves. These reserves are used to stabilize future costs in the years when claims exceed expectations. Also, the reserves are invested, providing investment income to the fund, further reducing future costs to the parishes and schools.

Each parish and school receives visits from the diocesan Director of Risk Management and an inspection report is issued. During these visits, local pastors and principals receive information on the extensive training available from Catholic Mutual, the diocesan risk management consultant. The primary goal is to provide a safe environment for employees, students, visitors, volunteers and the community at large. When parishes and schools are successful in this endeavor, future costs of the program are reduced.

Another important aspect of diocesan risk management is the Safe Environment Program. (See Insert on the Safe Environment Program.)

The health insurance program claims were nearly level with the prior year, increasing only 0.6%, which was much lower than national trend rates. As a result, unrestricted net assets have increased to \$2.6 million, or 27% of the annual expected claims. This amount is in line with the reserve needed if claims were to come in at the maximum expected amount, or the level where the excess insurance caps the losses for a year.

Safe Environment Program

The Catholic Diocese of Richmond is committed to ensuring that diocesan institutions and ministries provide a safe and nurturing environment for children, young people and vulnerable individuals. The mission of the diocesan *Safe Environment Program* is to create a safe environment incorporating the standards as outlined in the *Charter for the Protection of Children and Young People*. Included in this program are diocesan background screening policies, and an educational program — VIRTUS: *Protecting God's Children for Adults*. The VIRTUS program educates and trains adults about the dangers of abuse, the warning signs of abuse, the ways to prevent abuse, the methods of properly reporting suspicions of abuse, and responding to allegations of abuse.

Each year at the request of the USCCB Secretariat of Youth and Child Protection and the National Review Board the diocese participates in either an onsite or data collection audit of the compliance of the provisions of the *Charter for the Protection of Children and Young People*. On September 23, 2013 the Diocese of Richmond was informed that it remains in compliance with the requirements for the 2012/2013 *Charter* audit period. The diocese has been in compliance since the first audit.

Diocesan statistics for those screened and trained during the July 1, 2012–June 30, 2013 audit period.

- Priests – 201
- Deacons – 109
- Candidates for ordination – 49 (deacons/ seminarians in formation)
- Employees trained – 1,577 (parishes, schools and Pastoral Center)
- Volunteers trained – 24,179
- Number of training sessions held – 192 during audit cycle

(Note: Since November 2004, 40,622 individuals have been trained in the VIRTUS program and 1,916 sessions have taken place)



Agency Funds (Annual Appeal, Tuition Assistance, & Collections)

BALANCE SHEET	JUNE 30, 2013	JUNE 30, 2012
Pledges and accounts receivable	\$ 233,921	\$ 84,120
Due from other fund	1,836,720	1,500,136
Total assets	\$ 2,070,641	\$ 1,584,256
Accounts payable and accrued expenses	\$ 116,960	\$ 49,184
Deposits held for others and other liabilities	534,181	554,085
Total liabilities	651,141	603,269
Net assets, tuition assistance fund	244,936	304,763
Net assets, annual appeal fund	1,174,564	676,224
Total net assets	1,419,500	980,987
Total liabilities and net assets	\$ 2,070,641	\$ 1,584,256

STATEMENT OF ACTIVITIES	JUNE 30, 2013	JUNE 30, 2012
Annual Diocesan Appeal	\$ 3,856,919	\$ 3,144,793
Tuition assistance assessments	2,992,454	746,493
Contributions and other income	66,283	169,999
Annual appeal case elements, including parish share	(3,358,579)	(3,449,667)
Tuition assistance awards	(3,025,205)	(361,064)
Other expenses	(50,003)	(82,000)
Transfers to other funds	(43,356)	(193,484)
Change in net assets	\$ 438,513	\$ (24,930)

Agency Funds — Three funds comprise the Agency Funds: The Annual Diocesan Appeal Fund, the Tuition Assistance Fund, and the Diocesan Collections Fund. Agency Funds are established to separate these funds from other diocesan operations and to facilitate the distribution of these funds for their intended purpose and the reporting thereon.

Net assets for the Annual Diocesan Appeal as of the end of the year are available for distribution in the following year as those programs and ministries occur. Tuition assistance awards exceed \$3 million for the first year as the new program for the parish sharing assessment replaces parish subsidies to Catholic schools, making Catholic schools more affordable for more families.

Property, Equipment, and Related Debt

BALANCE SHEET	JUNE 30, 2013	JUNE 30, 2012
Investments	\$ 8,110,753	\$ 7,256,866
Note receivable	399,480	17,118
Land held for future parish sites	502,696	502,696
Land, buildings, and equipment, net of depreciation	16,654,106	17,909,840
Total assets	\$ 25,667,035	\$ 25,686,520
Notes payable	\$ 9,605,061	\$9,890,849
Due to other funds and other liabilities	5,278,536	6,795,554
Total liabilities	14,883,597	16,686,403
Unrestricted net assets	(6,680,738)	(9,412,419)
Designated for programs	307,375	-
Designated for Bishop's residence	-	-
Net assets invested in property, plant, and equipment	17,156,801	18,412,536
Total net assets	10,783,438	9,000,117
Total liabilities and net assets	\$ 25,667,035	\$ 25,686,520

STATEMENT OF ACTIVITIES	JUNE 30, 2013	JUNE 30, 2012
Transfers from other funds	\$ 1,120,732	\$ 255,213
Gain on sale of property	1,060,054	-
Investment income	847,766	68,930
Contributions and other income	382,701	30,442
Rental income	273,661	290,170
Depreciation expense	(1,452,073)	(1,930,070)
Interest expense	(235,147)	(255,213)
General administration	(214,373)	(252,192)
Change in net assets	\$ 1,783,321	\$ (1,792,720)

Plant Fund — Efforts are underway to reduce the deficit in the Plant Fund. The year began with a \$9.4 million deficit. This deficit now stands at \$6.7 million. Investments performed well during the year, earning \$847,766 and \$1.1 million was transferred to the plant fund from the current operating reserves to assist in reducing the deficit.

The Plant Fund recognized \$1.1 million in gains from the sale of various properties. Six separate properties were sold from around the diocese including properties in Norton, Roanoke, Richmond, Lynchburg, and Norfolk.

As a result, the Plant Fund reduced its debt by \$1.8 million, to \$14.9 million, and increased investments by \$854,000 to \$8.1 million as of the end of the year.

As buildings age and in order to carry out the pastoral and educational works of the Church, investments will need to be made in buildings and equipment. Strategies are underway to continue to pay down the existing debt and to eliminate the deficit in the Plant Fund. The Diocese continues to evaluate properties and to determine the most effective ways to produce positive cash flow from these properties.



Priests from Africa now serving on assignment in the Diocese of Richmond gather with Bishop DiLorenzo, Msgr. Lane, and Bishop John Baptist Kaggwa of the Diocese of Masaka, Uganda.



Father John Kazibwe from Uganda currently serves as Pastor for Church of the Epiphany in Richmond.



Priests serving in the Diocese of Richmond attend the First National Assembly of Filipino Priests in the USA.

International Priests

Welcoming the Church Universal to the Diocese of Richmond

As a shortage of priests persists throughout the country, the Diocese of Richmond continues to invest sizable financial resources in calling and training young men for the priesthood, especially through seminary study. Currently, the Diocese has 22 men studying for the priesthood.

In the meantime, Bishop Francis DiLorenzo has addressed much of the local church's need for priests through an active program that brings clergy from international dioceses to serve parishes here.

"Bishop DiLorenzo's vision is to keep our parishes open, so he turns to the global Church, which has an abundance of vocations, for priests to fill local vacancies," explained Vicar General Msgr. Mark Lane. "The Bishop has developed a covenant relationship with many international dioceses and their bishops. We work with those dioceses to decide which priests might be well-suited to serving here."

Since 2009, the number of international priests serving in the Diocese has grown from eight to 34. These priests come from Africa, the Philippines, Central and South America, Vietnam and Poland. The goal is for the international priests to function fully in their parish assignments as parochial vicars or pastors in service to the mission of the Church. Last year the diocese spent \$593,839 to support the effort.

Because of the size, scope and experience of the Diocese's program it serves as a model for other U.S. dioceses that have called Richmond to draw on its model.

"The generosity and hospitality of the people of the Diocese have made the program of our International Priests a successful one, and for this I am very grateful," Bishop DiLorenzo said.

The Office of Vicar for Clergy handles the necessary legal procedures for

immigration, and then provides a program of orientation, acculturation and mentorship to help prepare arriving priests for their ministry. Ugandan Father John Kazibwe and Filipino Father Romeo Jazmin, serve as assistants in the Vicar for Clergy Office and help coordinate a mentorship program for priests from outside the country.

The international priests' initial orientation at the Pastoral Center acquaints them with Diocesan demographics as well as policies, procedures, and priests salary and benefit information. The acculturation program familiarizes them with customs, practices and nuances (including language) so they can better understand the people they will be serving.

Sr. Katie Pierce, IHM, director of the Michigan-based Intercultural Consultation Services conducts the weeklong acculturation workshop. Sr. Katie has 30 years experience assisting groups and communities in bridging cultural differences.

Sr. Katie also holds training sessions for parish staff and volunteer leaders who will be working with international clergy. The goal is to help parish leaders better understand the cultural-adjustment process the international priest experiences and learn how to welcome their new pastor in their parish community.

Additionally, the Diocese also requires and provides an "accent reduction" course to improve priests' ability to be understood by church members.

Msgr. Lane explained, "Some of these men have been pastors for years and arrive ready for ministry but realize that this is a new experience of ministry so there are additional elements they need to acquire. The varied programs that our Diocese offers help those generous men adjust to this new experience of Church."

In the Richmond Diocese, international priests are being warmly welcomed by generous priests and parishioners who experience the larger Church outside the U.S. The presence of international priests gives the Diocese of Richmond a sense of the Church universal.

"The generosity and hospitality of the people of the Diocese have made the program of our International Priests a successful one, and for this I am very grateful."

Bishop DiLorenzo

IOI Payroll System

The Diocese has instituted a new, standardized payroll system for all its employing locations—diocesan offices, parishes, schools and other diocesan entities—to improve their ability to gather data, provide consistent information across the whole Diocese and help assure compliance with increased state and federal regulations. Last summer, after evaluating proposals from numerous payroll service providers, the Diocese selected Interlogic Outsourcing, Inc. (IOI) and began converting locations to the new system. By the end of calendar year 2013, all locations will be using IOI to process payroll.

Planning for the transition began a year ago after staff from the Human Resources and Finance offices presented the idea to the Priests Council. After learning of the benefits and efficiencies for their employees, the council recommended to the Bishop that the Diocese adopt a single standard system.

A project committee of diocesan, parish, and school representatives was assembled to identify the best system to meet the Diocese's needs. With different employing locations having widely varying needs, "it was wonderful how the Diocese made sure all were involved so we could get a system that would meet all our needs," said Megan Malhiot, business manager of St. Therese Parish in Chesapeake who served on the project committee.

Under the new system, individual parishes and schools have the option to have their payroll processed locally using the new standardized system, or they may choose to have their payroll processed through a diocesan centralized system at the Richmond Pastoral Center, relieving them of many of the administrative tasks associated with

paying employees. It is expected that 89 locations will use the diocesan (centralized) model and 85 locations will continue to process their payroll locally using IOI.

Many dioceses across the country have adopted, or are considering adopting, diocesan-wide payroll systems due to the need to comply with increased state and federal regulations. The new system facilitates and improves accuracy in preparing numerous federal and state reports for workers compensation, health insurance and unemployment insurance reports.

"This is going to help everyone streamline our data and reporting, both throughout the Diocese and with the federal government," noted Sarah Fogler, project manager for this change and a member of the diocesan Human Resources office. "For individual parishes and schools, it will lessen their risk in the area of federal reporting requirements." She added, "Because we're all on the same system and using the same language, it makes gathering data more consistent."

Carol Rupertus, business manager for Our Lady of Lourdes School in Richmond, agreed. "It was time to change from the previous system. The Diocese needs to be able to access information it needs on all employees' benefits, retirement and retirement eligibility. This system will really help us."

Aimee Chappell, diocesan Accounting Manager and payroll lead for the project pointed out that many smaller locations are not able to pay employees through direct deposit. "This new system allows all employees the option of direct deposit and now employees may choose the PayCard option which may be used like a debit card or may be taken to the bank and deposited like a check." Aimee continued to explain that some locations do not have good systems to track overtime and the new system will help locations ensure that all eligible employees receive benefits.

Ms. Malhiot noted that one reason the Diocese chose IOI is that the company has a number of other Catholic Dioceses as customers. "They understand 'Catholic language' and the complexities and idiosyncrasies of Catholic communities with the various ways that people are compensated," she explained.

The IOI system has been well received by those who already have begun to use it, Ms. Fogler said. "Everyone has been pleased with the product, the customer service and the ease of use."

Ms. Rupertus said transitioning her school to the new system, "has been very smooth. I was well trained by the Diocese and IOI was holding my hand through the first two payrolls. IOI has been easy to work with and they're always there to answer your call right away."

Another important advantage of moving to a new standardized system, Ms. Malhiot pointed out, is "it will enable us to offer new benefits to employees, such as a 403(b) plan." Describing a 403(b) as the not-for-profit organization equivalent of the 401(k) pre-tax individual retirement plan offered in the private sector, she noted, "There is no way all parishes, especially smaller locations, would be able to offer such benefits to every employee without being part of a larger system."

"This is going to help everyone streamline our data and reporting, both throughout the Diocese and with the federal government."

2012 Annual Diocesan Appeal Summary

On a daily basis, our parishes and the Diocese are actively engaging people through a variety of ministries and programs which offer special opportunities to our Catholic family. In order to continue their important work, it is vital that they have the necessary resources.

The Annual Diocesan Appeal is the most effective way to support many of these ministries and programs such as providing for the health insurance for our retired priests, funding toward the costs of room, board and tuition assistance for our seminarians, and providing Fuel and Hunger Fund grants to parishes and Catholic organizations so they can offer emergency food, heating, rent and shelter assistance to those in need.

Over the past three years, the generosity of so many has allowed the Diocese to raise a combined amount of nearly \$11,000,000 for those in need. During the 2012 Appeal, the Diocese was able to collect over \$3,800,000, which is the highest amount to date. Please see the table below for a summary, and please visit www.richmonddiocese.org/appeal to see a more detailed report on the use of these funds.



Description	Amount
Parish sharing for local capital and ministry needs	\$ 1,250,000
Tuition and expenses for fifteen seminarians (*)	550,000
Retired priests pension, health insurance, and long-term care for 42 priests, 6 in long-term care	450,000
International priests orientation, acculturation and mentorship	330,000
Fuel and Hunger Fund, sixty-three grants	250,000
Campus ministry, twenty-three college and university programs received direct support, college summit, new student retreat, college transition program for seniors, etc.	160,000
Developing lay leadership through Lay Ecclesial Ministry Institute, Sullivan Conference, forums, retreats and resource library, etc.	145,000
Home Mission Grants, additional funding for smaller parishes	50,000
Priests continuing education and formation	50,000
Youth Ministry, engage middle and high school students through youth conferences, retreats, work camps, Leadership Discipleship Week and scholarships to diocesan programs, etc.	50,000
Young Adult Ministries, conferences for women and men, four retreats programs, young adult mission week in Wise County, resources and scholarships to parishes	50,000
Cathedral of the Sacred Heart, emergency funding for fire detection, security cameras, and updated wiring to preserve lanterns	30,000
St. Vincent DePaul Institute, parish social ministry training	15,000
Mission parish evangelization, equipping smaller parishes to assist with outreach to local communities	10,000
Administration, materials, printing, postage and video	410,000
Total	\$ 3,800,000

* Note: There were fifteen seminarians assisted by the 2012 Annual Diocesan Appeal . . . in 2013 this number grew to twenty-two.

Parish Income – Consistent, Generous and Growing

Parish income from recurring sources, primarily Sunday offertory, has seen an average annual increase of 3.3% over the past four years. During the past year, parish income was 3.7% higher and 103 parishes, or 71% of the 146 parishes, experienced an increase over the prior year. When looking back five years, nearly 80% of the parishes have seen an increase in income. In addition to supporting their parishes, Catholics in the Diocese contributed \$2.1 million to Haiti ministries and an additional \$5.6 million to parish charities and other religious causes such as Catholic Charities, retired religious, the Holy Father, and Home Missions.

