

# ARCHDIOCESAN CHANCERY CORPORATION ANNUAL FINANCIAL REPORT • 2023

## FINANCIAL OFFICER REPORT

By Thomas Mertens,  
Chief Financial Officer, Archdiocese of Saint Paul and Minneapolis

## INTRODUCTION



THOMAS MERTENS

Fiscal year 2023 for the Archdiocese of Saint Paul and Minneapolis began July 1, 2022, and ended June 30, 2023. We generated a surplus during fiscal year 2023 from operations as a result of investment income from a market rebound during the year. We had not anticipated a surplus for the year as it has been our practice to not budget investment income or loss due to the unpredictability of the markets. We had anticipated a slight deficit for the year due to spending related to the important work of the Archdiocesan Synod. We were challenged this fiscal year as our parish assessment revenue for 2023 was down significantly from the prior year.

Leadership and staff at the ACC closely monitor costs and manage expenses as we help meet the needs of pastors and their staff in parishes — and principals and teachers in Catholic schools — as they provide spiritual and temporal service to people across the Archdiocese.

I am profoundly grateful for the support of the women and men of this local Church. I promise that we will continue to be good stewards of the resources entrusted to us.

## OPERATING RESULTS

For the year ending June 30, 2023, we generated a surplus from operations of \$160,000 as compared to \$62,000 in 2022.

Total operating revenue in fiscal year 2023 was \$22.4 million, up from \$21.2 million in fiscal year 2022. The current year increase primarily resulted from investment income of \$900,000, as compared to investment losses in the prior year of \$1 million. The increase in investment income was due to favorable market conditions experienced by the broader market in the second half of the fiscal year. Offsetting this increase is a decrease in parish assessment revenue.

Parish assessments, our primary source of revenue, decreased by approximately \$820,000 from 2022. Parish assessments are generated from the 185 parishes within the Archdiocese and are calculated and billed on a two-year lag, which means the parish financial results for the years ending June 30, 2021, and 2020 formed the basis for the parish assessment revenue we received for the years ended June 30, 2023, and 2022, respectively. The decrease of \$820,000 from the prior year is the result of lower parish plate and envelope revenues during the pandemic in 2021.

We also experienced an increase in fees and program revenues as a result of youth and young adult programs, the bi-annual presbyteral assembly, accounting services provided to parishes, and increased Catholic Spirit advertising revenue.

Our operating expenses increased \$1.2 million or 5.5% over the prior year due to contributions to the Leo C. Byrne Residence for retired priests and The Saint Paul Seminary to support diaconate formation. Other factors were increased Byrne residence expenses related to facility repairs and upgrades, expenses related to the Archdiocesan Synod kick-off, electronic scanning of archives documents, and expenses related to World Youth Day that we did not have in the previous year. In addition, we felt the overall effects of the inflationary pressures within the economy that impacted all of our expense categories.

It is important to note that our general and administrative expenses decreased significantly, by almost \$750,000, as a result of the \$1 million pledge in the prior year to the Joyful Catholic Leaders capital campaign benefiting The Saint Paul Seminary and Saint John Vianney College Seminary. The pledge was made during the year ending June 30, 2022, and was recorded as contribution expense. The pledge will be satisfied through five equal annual payments, which started in 2023, with each annual contribution reducing the pledge payable on our balance sheet. This decrease was offset by the \$250,000 contribution to the Leo C. Byrne Residence Trust noted in the next section.

## NON-OPERATING ACTIVITY

In October 2022, the Archdiocese entered into agreements with the Leo C. Byrne Residence Trust and an assignment of ground lease with The Saint Paul Seminary that transferred the Byrne Residence building, fixtures and personal property owned by the Archdiocese to a newly formed irrevocable tax-exempt trust. The Seminary and the Archdiocese entered into a 99-year ground lease agreement in 1995 in which the Seminary leased to the Archdiocese, rent free, exclusive use of the land upon which the Byrne Residence is located. The trust received all of the Archdiocese's rights, title and interest in the ground lease as part of the agreement. The transfer of assets resulted in a non-cash loss on disposition of \$646,000.

The trust established a designated fund at the Catholic Community Foundation and certain donors are anticipated to contribute approximately \$11 million for the initial renovations to the Byrne Residence and for on-going capital expenditures, maintenance, and operating expenses in perpetuity. In October, the Archdiocese entered into a Byrne Residence Funding Agreement with the trust and committed to funding an initial contribution of \$250,000 in the current year and up to \$500,000 annually, with an annual escalator, for operating costs and standard maintenance.

The Archdiocese coordinates a self-insured health and dental benefit fund for priests, seminarians and certain religious order sisters within the Archdiocese with stop-loss coverage. The Archdiocese invoices parishes, Catholic schools and other Catholic entities based on clergy assignments and pays benefit providers directly for any claims. The priest benefits program was transferred to a separate entity effective July 1, 2022, and, as a result, our Fiscal Year 2023 did not include any activity from this program. In the prior year, priest benefits generated a loss of \$491,000.

## FINANCIAL POSITION

Net assets of the Archdiocese were approximately \$23.6 million as of June 30, 2023, as compared to \$24.1 million on June 30, 2022. The \$485,000 decrease was due to the \$646,000 deficit generated from non-operating activity offset by the \$160,000 surplus from operations. The total cash balance as of June 30, 2023, was \$4.8 million, a decrease of \$1.76 million from June 30, 2022. The decrease mainly resulted from a combination of \$700,000 provided to the Priest Benefits Plan in the form of an advance to assist them with the transition to a separate legal entity, capital expenditures of approximately \$400,000, a \$200,000 payment required annually under the pledge to The Saint Paul Seminary and Saint John Vianney College Seminary, and timing of cash collections during 2023.

Our existing cash balance at June 30, 2023, consisted of \$2.3 million of cash without donor restrictions, \$1.8 million of Board designated cash, and \$690,000 of cash with donor restrictions. The Board designated cash represents funds set aside for capital projects of \$1 million and the Joyful Catholic Leaders capital campaign remaining pledge payable of \$800,000.

The other significant change to the balance sheet as of June 30, 2023, includes an increase in accounts receivable due to the advance made to the Priest Benefits Plan, a decrease in land, property and equipment as a result of the Leo C. Byrne Residence asset transfer, a decrease in pledge payable as a result of the annual payment of \$200,000, and a decrease in reserve for priest benefit claims as this program was moved to its own separate legal entity.

As of June 30, 2023, we were contingently liable as guarantor for approximately \$3.2 million in principal amount on three loans with three Catholic entities within the Archdiocese. This compared to a contingent liability in 2022 of more than \$16 million. Our balance sheet continues to remain strong as a result of our continued focus on being good stewards of the assets entrusted to us.

## CONCLUSION

The Archdiocesan Synod and its implementation is key to shaping the future of this Archdiocese. The process is helping to identify needs in our 185 parishes that once met can help pastors and staff, principals and teachers, better serve the faithful and people in our wider communities. I am hopeful that our financial position and resourcefulness will continue to help us grow and deepen in our primary mission: making the name of Jesus Christ known and loved.

## YOUR GENEROSITY MAKES A DIFFERENCE



ARCHBISHOP  
BERNARD HEBDA

Each day when I walk through the Archdiocesan Catholic Center lobby doors, I glance at the memorial plaque on the wall with the picture of James and Florence Trainor, the couple whose generous estate gift allowed us to purchase in 2022 the former 3M headquarters that we had been renting since 2017. In that moment, I always remember to pray for the Trainors, and for their family members, some of whom were here to help us dedicate the building to the memory of James and Florence.

I feel that same profound gratitude whenever I reflect upon your generosity — the generosity of the faithful of the Archdiocese of Saint Paul and Minneapolis — which enables the Archdiocese to fund all of our operations and all that we do to support your parishes, our nearly 100 Catholic schools, and the many other Catholic initiatives that help the residents of the 12 counties of our Archdiocese to encounter Jesus Christ and his love.

When I look at the annual financial report, I see not only numbers and statistics but also your generosity, and the great work that has been undertaken by the staff of the Archdiocese. At the Archdiocesan Catholic Center, I am blessed by nearly 130 collaborators, most of them laity, who are passionate about sharing their gifts with our Church. Some of them are longtime employees who've served the Archdiocese for decades, but there is also a growing number of young people who have come on board because they desire to serve the mission of the Church. They come to us from a variety of backgrounds and experiences, but all have in common great professionalism, energy, love for Christ, and hearts for service and mission. As we come to the end of the year and review our 2023 annual report, please join me in giving thanks to God that he has blessed us with the resources and people to do his work.

## SUPPORTING THE MISSION OF THE CHURCH

The Archdiocese of Saint Paul and Minneapolis serves Catholics and the greater 12-county Twin Cities community. The following narrative briefly explains the function of each department and the funding level for FY 2023. Total department expense below includes allocations of depreciation, occupancy, and archbishop expenses.

### CATHOLIC EDUCATION – \$1,720,837

The Office for the Mission of Catholic Education (OMCE) provides vision, support and direction to Catholic schools and parish catechetical programs so that they can achieve their mission to proclaim Christ and form authentic disciples of Jesus Christ through an integrated Catholic education developing the spirit, mind and body. OMCE is divided into a Department of Parish Catechesis, Department of Educational Quality and Excellence, and Department of Catholic Schools. Major responsibilities for Catholic schools and parishes are aligned with the Roadmap for Excellence in Catholic Education and include strategically assisting pastors, principals and parish catechetical leaders; implementing a comprehensive talent management framework; encouraging and acknowledging quality and excellence in Catholic education; serving as a

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The Archdiocese's fiscal year 2023 Financial Statements along with the Independent Auditor's Report will be posted at ARCHSPM.ORG at the Finance and Accounting page Dec. 21.

THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS Chancery Corporation • Statements of Activities (Audited) Years Ended June 30, 2023 and 2022			THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS Chancery Corporation • Statements of Financial Position (Audited) As of June 30, 2023 and 2022		
	2023	2022		2023	2022
<b>OPERATING REVENUE</b>			<b>ASSETS</b>		
Contributions	\$3,090,593	\$3,424,586	Cash - Board Designated and Undesignated	\$4,127,407	\$5,803,925
Parish Assessments	15,057,822	15,882,686	Cash - With Donor Restriction	690,151	776,728
Fees and Program Revenues	3,292,113	2,793,649	Contributions Receivable	246,618	316,685
Investment Income (Loss), Net	905,030	(1,033,023)	Estates Receivable	-	151,734
Other Income	101,500	103,000	Accounts Receivables, Net of Allowances	3,377,406	2,381,145
<b>Operating Revenue</b>	<b>22,447,058</b>	<b>21,170,898</b>	Loans Receivable	651,566	657,066
<b>OPERATING EXPENSE</b>			Investments Without Donor Restrictions	6,435,780	5,826,438
Program Services:			Investments With Donor Restrictions	1,188,444	1,148,113
Catholic Education	1,720,837	1,728,631	Beneficial Interest in Perpetual Trusts	1,595,701	1,506,511
Central Services	6,107,672	5,399,026	Prepaid Expenses and Other Assets	249,267	215,920
Clergy Services	5,342,295	4,662,285	Land, Property and Equipment, Net	8,459,022	9,035,056
Communications	2,196,897	2,157,271			
Community Services	447,457	299,216	<b>Total Assets</b>	<b>\$27,021,362</b>	<b>\$27,819,321</b>
Evangelization	-	223	<b>LIABILITIES AND NET ASSETS</b>		
Marriage, Family and Youth	844,134	719,710	<b>LIABILITIES</b>		
Parish Services and Outreach	1,434,888	1,420,605	Accounts Payable and Accrued Liabilities	1,825,321	1,864,344
Latino Ministries	382,651	354,301	Amounts Held for Others Under Agency Transactions	388,071	361,750
<b>Total Program Services</b>	<b>18,476,831</b>	<b>16,741,268</b>	Deferred Revenue	388,504	337,255
Support Services:			Reserve for Priest Benefit Claims	-	151,198
General and Administrative	3,525,925	4,265,914	Pledge Payable	800,000	1,000,000
Mission Advancement	283,951	101,709	<b>Total Liabilities</b>	<b>3,401,896</b>	<b>3,714,547</b>
<b>Total Support Services</b>	<b>3,809,876</b>	<b>4,367,623</b>	<b>NET ASSETS</b>		
Total Operating Expense	22,286,707	21,108,891	Without Donor Restrictions - Undesignated	17,937,888	18,127,569
Change in Net Assets from Operations	160,351	62,007	Without Donor Restrictions - Board Designated	1,860,571	2,184,396
<b>NON-OPERATING ACTIVITY</b>			With Donor Restrictions:		
Gain (Loss) on Disposition of Assets	(645,659)	(256,093)	Restricted by Time and/or Purpose	1,988,157	2,049,148
Paycheck Protection Program Revenue	-	-	Restricted in Perpetuity	1,832,852	1,743,661
Priest Benefits Revenue	-	3,267,646	<b>Total Net Assets</b>	<b>23,619,466</b>	<b>24,104,774</b>
Priest Benefits Expense	-	(3,758,262)			
Change in Net Assets from Non-Operating Activities	(645,659)	(746,709)	<b>Total Liabilities and Net Assets</b>	<b>\$27,021,362</b>	<b>\$27,819,321</b>
<b>CHANGES IN NET ASSETS</b>	<b>(\$485,308)</b>	<b>(\$684,702)</b>			
Net Assets - Beginning of Year	24,104,774	24,789,476			
<b>NET ASSETS - END OF YEAR</b>	<b>\$23,619,466</b>	<b>\$24,104,774</b>			

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resource for those involved in the essential work of parish catechesis; maintaining policies that support the work of Catholic education; representing the interests of Catholic education to a diverse set of stakeholders; and working with community partners to ensure the sustainability of programs, including the Drexel Mission Schools, which serve those in most need.

CENTRAL SERVICES – \$6,107,672

The Department of Central Services provides support and services to Archdiocesan staff and the parishes. The department includes the offices of the chancellors for civil and canonical affairs, information technology services, the metropolitan tribunal, human resources and benefits, records and archives, the office of financial standards and parish accounting. Also covered in this category are the payment of assessments to the Minnesota Catholic Conference and the United States Conference of Catholic Bishops.

CLERGY SERVICES – \$5,342,295

The role of this office is to provide support and formation for priests and deacons in all aspects of ministry and pastoral care. Services provided by this office include the following:

**Seminary Formation:** There are currently 51 men in formation for the priesthood for service of our Archdiocese. While the number changes throughout the discernment process, our Archdiocese has one of the largest enrollments of seminarians of any diocese in the country. The Archdiocese funds the medical and dental insurance coverage of the seminarians at The Saint Paul Seminary, as well as tuition, room and board not covered through donations from the Catholic Services Appeal Foundation. The Archdiocese also covers the cost of tuition, room and board of those attending the North American College in Rome.

**Center for Clergy Formation:** Institute of Ongoing Formation for Clergy and the Institute of Diaconate Formation comprise the Center for Clergy Formation. Each entity of the center provides an integrated approach to priestly and diaconate formation, including gatherings and support for newly ordained priests and deacons, programs to assist new pastors in their role and ongoing formation opportunities for priests and deacons throughout the archdiocese.

**Continuing Education:** This includes continuing education opportunities, a sabbatical program, international enculturation,

and the biennial presbyteral assembly.

**Ministerial Standards and Safe Environment:** The mission of the Office of Ministerial Standards and Safe Environment is to work with our community to prevent the sexual abuse of minors and vulnerable adults through a number of initiatives including implementing abuse prevention programs, immediately reporting allegations of abuse to law enforcement or child/adult protection officials and cooperating fully with their investigations, and helping those affected by abuse in their healing journey.

**Priest Support:** This includes support for priests who are not in ministry due to personal health issues or leave of absence, and those who have been permanently removed from ministry who do not have other means of support.

**Chaplaincies:** There are several priests in full- or part-time ministry at hospitals and correctional facilities throughout the Archdiocese who are supported by the Archdiocese. There are many other priests throughout the Archdiocese who provide pastoral care at health care, correctional facilities or schools, either as a ministry of their parish or through their outreach work. They offer the sacraments and spiritual support during some of the most difficult times in people’s lives. Last year, a large number of people throughout our community, experiencing COVID-19, were served by chaplains.

**Specialized Ministries:** This includes the Office of Vocations, support for international clergy, and retired clergy, which includes the operation of the Leo C. Byrne Residence for retired priests.

COMMUNICATIONS – \$2,196,897

The Office of Communications helps convey the teachings of the Church and fosters communications between the Archdiocese and the faithful, parish and school leaders and staff, and others in our community. It does this through The Catholic Spirit, multiple websites, social media, e-newsletters, printing services, video production and other communications. The office also conducts media consultation and training for clergy, parishes and other representatives of the Archdiocese, and works with secular TV and radio stations, as well as print and online publications.

COMMUNITY SERVICE – \$447,457

The Archdiocese helps men, women and children most in need within our local community, including the poor, hungry, and homeless.

MARRIAGE, FAMILY AND YOUTH – \$844,134

The Office of Marriage, Family and Youth assists the laity and parishes through programs supporting marriage preparation, family education programming, respect life, pro-life groups, biomedical ethics, and outreach for people with disabilities.

The office also sponsors the annual Archdiocesan Youth Day that brings together hundreds of local high school aged teens to praise God, grow in the faith and find fellowship. In addition, this office helps coordinate local representatives attending World Youth Day, the National Catholic Youth Conference, and the March for Life and other youth events.

PARISH SERVICES AND OUTREACH – \$1,434,888

The Office of Parish Services provides consultation, planning and leadership development opportunities to parishes throughout the Archdiocese.

The Archdiocese supports outreach ministry to various groups and members of the Archdiocesan community, including American Indian ministry, Delegate for Consecrated Life, the Venezuelan mission, the Archdiocesan Council of Catholic Women and other groups and coalitions.

LATINO MINISTRIES – \$382,651

The Office of Latino Ministry develops and offers formation and evangelization programs for youth, young adults, family and parish leaders. These programs serve the growing Latino community in the 25 parishes that offer Masses, sacramental preparation and pastoral care in Spanish.

SUPPORT SERVICES

GENERAL AND ADMINISTRATIVE – \$3,525,925

The offices of the retired archbishops, auxiliary bishop, vicar general, accounting, finance and general administration are included in the General and Administrative category. Over half of this category of expense supports salaries and benefits of staff.

MISSION ADVANCEMENT – \$283,951

This office works with parishes and Catholic schools to help grow a culture of stewardship in local communities and to support parish and school development efforts. The office also engages in outreach to benefactors who wish to support specific ministries or programs of the Archdiocesan Catholic Center.