

ANNUAL REPORT OF THE DIOCESE OF TUCSON

By BISHOP GERALD F. KICANAS

The annual report of financial information for fiscal year 2007-2008 demonstrates how the Diocese of Tucson Administrative Offices use the funds that are so generously contributed by parishioners, benefactors and grantors to enable the Diocese to fulfill its mission to serve spiritual, pastoral, social service, educational and other needs of the Faithful of the Diocese.

Total revenue for the period was \$7.5 million, while total expenses were \$5,779,798.

The Diocese has reduced its deficit balance in unrestricted net assets to \$157,456,

compared with a deficit of \$1,866,236 last year. This is a significant difference from five years ago when the unrestricted net asset deficit balance was almost \$7 million.

This improvement demonstrates that the Diocese is regaining financial stability after the expenses of the Chapter 11 process.

During the fiscal year, the Diocese had an increase in net assets of \$1,720,905, with an increase of \$1,708,780 in unrestricted net assets, \$2,909 in temporarily restricted net assets and \$9,216 in permanently restricted net assets.

The financial information presented includes only that related to the Diocese of Tucson Administrative Offices under the direct control of the Bishop of Tucson.

In addition to the Office of the Bishop, the Administrative Offices include: Chancellor (Archives); Judicial Vicar (Tribunal); Vicar General/Moderator of the Curia (Corporate Matters); Communications; The New Vision newspaper; Vocations; Human Resources, Fiscal and Administrative Services; Property Management and Insurance Administration; Child, Adolescent and Adult Protection; Department of Pastoral Services (Catechesis, Catholic Social Mission, Divine Worship, Evangelization and Hispanic Ministry, Formation and Youth, Young Adult and Family Ministry); Department of Catholic Schools; Vicar for Deacons; and Vicar for Religious.

Not included is financial information for parishes, Catholic schools, Diocese of Tucson Catholic Cemeteries, Catholic Foundation for the Diocese of Tucson, Catholic Community Services of Southern Arizona, Catholic Tuition Support Organization, the Our Faith, Our Hope, Our Future Diocesan Renewal Campaign and the Diocese of Tucson Charity and Ministry Fund, all of which are separate entities.

The information includes sources and uses of income and net assets (that assist and support the Bishop of Tucson in fulfilling his many responsibilities for pastoral care and leadership of the Diocese) and liabilities.

The information included in this annual report is excerpted from the audit report as performed by Keegan, Linscott & Kenon, P.C., who rendered an unqualified opinion. The complete audit report, including all accompanying notes, is available at the Diocese of Tucson Website, www.diocesetucson.org, under "Reports, Statements, Letters."



WHERE THE DIOCESE OF TUCSON ADMINISTRATIVE OFFICES INCOME CAME FROM IN FISCAL YEAR 2007-2008

Annual Catholic Appeal	\$ 2,000,000
Contributions, grants, bequests	1,719,516
Insurance billings	912,904 (NOTE 1)
Parish assessments	1,712,626 (NOTE 2)
Advertising and fees for service	496,456
Facility rentals	49,139
Program fees	209,017
Investment income	394,051
Other revenues	6,394
Total revenues	\$ 7,500,103

HOW THE DIOCESE OF TUCSON ADMINISTRATIVE OFFICES USED FUNDS IN FISCAL YEAR 2007-2008

Vocations (Vocation to priesthood, religious life, permanent diaconate)	\$ 379,779
Programs Serving Parishes, Pastoral Programs & Catholic Social Missions	452,595
Catholic Schools Administration	244,419
Parish Assistance and Native American Missions	598,799
Communications, The New Vision newspaper	285,390
Archives	90,459
Office of the Bishops, Vicar General, Chancellor, & Tribunal	772,464
Office of Child, Adolescent and Adult Protection	163,544
General Administration	595,841
Fiscal, Employee Services & Property and Insurance Services	995,919
Diocesan Insurance Program	905,576
Interest	179,069
Loss on Sale of Fixed Assets	135
Bad Debt Expense	69,038
Depreciation	46,171
Total expenses	\$ 5,779,798

NOTE 1: Insurance expense continues to be a significant cost for all diocesan entities. The Diocese of Tucson Administrative Offices negotiates for and secures the health, workmen's compensation, property, liability and auto insurance for parishes and other Catholic organizations affiliated with the mission of the Diocese. Currently, workmen's compensation, property, liability and auto coverage are a combination of self-insurance and re-insurance coverage from major insurance carriers.

As part of the insurance program, the Diocese of Tucson has joined with other (arch) dioceses across the country to form two captive risk retention insurance companies. The Bishops' Property Insurance Company (BPIC) provides coverage for property, casualty and workmen's compensation losses. The Diocese is also a shareholder in The Ordinary Mutual (TOM), which provides liability insurance, including sexual misconduct insurance coverage.

NOTE 2: Parish assessments consist of two separate assessments made on parishes according to the provisions of canon law: the priests' salary subsidy assessment and the Chancery assessment.

The priests' salary subsidy assessment is applied to parishes in proportion to their offertory income relative to all parish offertory income diocesan-wide and is used to help pay the salaries of priests in poorer parishes.

The Diocese collects the assessments and disburses the monies to poor parishes and missions throughout the Diocese. No portion of the salary subsidy assessment is retained by the Diocese.

The second assessment, the Chancery assessment, is a levy (or tax) on a parish's offertory collection. For parishes with annual ordinary income of less than \$30,000, the assessment is 3.5 per cent of income; for parishes with ordinary income greater than or equal to \$30,000 the assessment is 7 per cent of ordinary income.

The Chancery assessment is the primary funding source for the administrative functions of the Diocese, including: Human Resources, Fiscal and Administrative Services, Office of Child, Adolescent and Adult Protection, General & Administrative expenses and debt service.

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The Administrative Offices of the Diocese of Tucson Statement of Financial Position June 30, 2008

ASSETS

Cash and cash equivalents	\$ 2,294,821	Cash – limited as to use (Insurance reserve)	984,729
Accounts receivable (net of allowance of \$106,303)	155,088	Grants receivable	-
Notes receivable (current)	284,010	Other receivables	214,777
Investments	6,049,890	Prepaid expenses and other assets	1,277
Custodial funds held for others	430,277	Investment in Bishops' Property Insurance Corporation	80,850
Notes receivable	855,660	Land, building and equipment	607,415
Total Assets	\$11,958,794		

LIABILITIES AND NET ASSETS

Liabilities:	
Current liabilities	
Accounts payable and accrued expenses	\$964,892
Custodial funds held for others	430,277
Liability for contribution to settlement of tort claims	0
Notes payable, current	591,935
Total current liabilities	1,987,104

Notes payable	4,788,678
Insurance reserve	984,729
Total liabilities	7,760,511
Net assets:	
Unrestricted net assets (deficit)	(157,456)
Temporarily restricted net assets	2,217,913
Permanently restricted net assets	2,127,826
Total net assets	4,198,283
Total liabilities and net assets	\$11,958,794

DIOCESE OF TUCSON ADMINISTRATIVE OFFICES CHANGE IN NET ASSETS

Excess of revenues over expenses	\$ 1,720,906
Net assets at beginning of year	2,477,378
Net assets at end of year	4,198,283

DIOCESAN FINANCE COUNCIL:

The Diocesan Finance Council provides advice and counsel to Bishop Gerald F. Kicanas. The Council members are Nancy Stephan (chair), Father Al Schifano, Father Michael Shay, Louise Francesconi, Lawrence McDonough, Luis Dabdoub, John Lauer, Humberto Lopez, Lirain Urreiztieta and Richard Van Egeren.

*Read the entire annual report at
www.diocesetucson.org
under "Reports, Statements, Letters."*