

April 26, 2007 – [Boston Financial Report]-Archdiocese cuts \$2M from deficit

Shortfall cited in funds for priest benefits

By Michael Paulson, Boston Globe Staff

The Roman Catholic Archdiocese of Boston still faces significant financial challenges five years after the sexual abuse crisis erupted, but has been making slow progress, in large part by selling real estate and cutting staff, church officials said yesterday.

The archdiocese, for the second year in a row, published on its website a raft of financial information, including annual financial reports for the archdiocesan administration, as well as for dozens of related Catholic organizations.

This year's disclosure was more extensive than last year's. Among the additions: The archdiocese released the salaries of its top employees, which range from \$23,771 for Cardinal Sean P. O'Malley to \$250,000 each to the archdiocese's top fund-raiser and chief financial officer.

The release of financial information, which is voluntary but arrives after considerable public pressure and a failed attempt last year by some legislators to mandate financial disclosure by religious organizations, largely fulfills a pledge by O'Malley to share financial details with area Catholics. Some other big-city archbishops are now doing the same, but others, most notably Cardinal Edward M. Egan of New York, have declined to do so.

According to the reports issued yesterday, the archdiocese cut its annual deficit for its central administration to \$6.2 million in fiscal 2006, which ended last June 30. That loss was down from \$8.3 million in fiscal 2005. The archdiocese said that the decrease was primarily the result of layoffs of employees and reductions in programs. The archdiocese said it hopes to end its 2008 fiscal year, which starts July 1, without a deficit.

"Much positive change occurred in the archdiocese within the last year," O'Malley said in a statement. "While there are many challenges before us, we remain committed to rebuilding this archdiocese and earning the respect and trust of those whom we serve."

Church officials said they remain concerned about the state of their funds for retired and sick priests. The archdiocese said the clergy benefit accounts, which have been the subject of controversy and confusion for several years, face "a very significant shortfall," and several local activist groups expressed continued unhappiness about the issue.

The archdiocese did not release parish-by-parish financial reports yesterday, despite a pledge last April that such statements would be published by last November. Church officials said that it has proven more difficult than expected to get all 295 parishes to publish financial reports, in part because some do not have professional business managers, but that it will strive to disclose that information some time in the next several years.

Yesterday, in an effort to show parishes that it can be done, the archdiocese released financial reports from two parishes, one in affluent Milton and another in a lower-income section of Charlestown.

The archdiocese said its total assets, held by the central administration and the 295 surviving parishes, are \$615 million, up from \$568 million reported last year.

But most of those assets are real estate -- churches and other buildings -- and the archdiocese said that because of its many financial liabilities, its net assets are actually \$389 million. The archdiocese's assets grew mostly because of a \$63 million gain in real estate sales, about two-thirds of that from buildings owned by parishes that closed during a sweeping consolidation that began in 2004. That money from closed parishes was used in part to repay debt owed to the archdiocese by its parishes for building improvements, insurance, and other services. The money was also used for the pension fund for lay employees, which is almost fully funded, the archdiocese said.

"To the average person, it might appear that the archdiocese has substantial cash," Chancellor James P. McDonough wrote in the annual report. "The fact is that while the corporation sole [the legal name for the archdiocese] continues to show growth in overall revenue, the majority of that cash is for the specific use of particular parishes and schools."

The Archdiocese of Boston is the largest religious denomination in Eastern Massachusetts, reporting 2 million adherents in 144 communities. But only a fraction of that population is active in the church: Attendance at Sunday worship runs around 373,000, and about 50,000 people contribute to the archdiocese's main annual fund drive.

Fund-raising has been improving incrementally, even though it is still down substantially from before the clergy abuse crisis. The archdiocese reported that collections and other fund-raising efforts by parishes generated \$146 million last year. But the disparity among parishes is enormous; one parish raised \$48,000 during the entire year, while another raised \$1.6 million, the archdiocese said.

Archdiocesan officials say they now face three major financial challenges: shoring up the retirement fund for priests, which is currently about \$70 million short; repairing church and school buildings, many of which are aging; and assisting the many parishes that are not self-sufficient, in most instances because they are located in low-income neighborhoods.

The health of the benefits funds for priests is a particularly sensitive and emotional subject for many; the archdiocese in 2005 proposed, but then retreated from, benefits cuts for retired priests, and it has struggled to explain its management of the funds amid concerns about its use of money that parishioners donated each Christmas and Easter to help the aging and ailing clergy. The archdiocese, which has repeatedly delayed efforts to fix the clergy benefits funds, now says it is hoping to have a plan to fix the funds by this fall through a combination of benefits changes and new funding sources.

The condition of the clergy benefits funds drew concern from two major groups representing lay Catholics often critical of the archdiocese, Voice of the Faithful and the Council of Parishes.

"Voice of the Faithful continues to be distressed by the unfunded liability of the Clergy Benefit Trust," the organization's president, Mary Pat Fox, said in a statement yesterday. ". . . Our loyal priests deserve a dignified and worry free retirement."

She offered praise for the overall disclosure, however, saying, "The improved financial condition of the Archdiocese of Boston demonstrates that accountability and transparency are just good business practices."

The Council of Parishes also expressed concern about the retirement benefits for priests, charging that "the financial condition of the clergy pension fund continues to deteriorate" and that "either major cash infusions will have to be made, or benefits to the senior clergy will have to be cut sharply in the next few years."

The disclosure also drew praise from a national organization made up of prominent Catholics. "The public release of the Archdiocese of Boston's financial reports today illustrates the transparency and fiscal accountability that engender trust, and trust is essential for the health and vitality of the church," said Kerry A. Robinson, executive director of the National Leadership Roundtable on Church Management.

Among its disclosures yesterday, the archdiocese said it spent \$9.6 million in fiscal 2006 on abuse settlements, treatment for abuse victims, and other costs related to abuse. The archdiocese still faces approximately 130 pending claims from people who say they were sexually abused by priests. Through June 2005, the archdiocese had spent \$150.8 million on abuse settlements and related costs, including \$84 million in an umbrella settlement for multiple victims in late 2003.

The salaries of top employees were disclosed in a separate report. O'Malley, who has taken a vow of poverty as a Capuchin Franciscan friar, gives his salary to his religious order, and many of the archdiocese's top jobs are held by priests and nuns who are paid less than \$30,000 each. The top three paid employees of the archdiocese are laypeople, including McDonough and institutional development director Scot Landry, both of whom earn \$250,000; and the archdiocesan communications director, Terrence C. Donilon, who earns \$160,680.

The archdiocese said its top vendor last year was the law firm Ropes & Gray, to which it paid \$1.4 million, largely for handling abuse cases, while its top contractor was TLT Construction Corp., to which it paid \$5.5 million, mostly for parish repairs.