

Wants vs. needs: a year of re-evaluation

My dear friends:

I am pleased to present the financial report of the Archdiocese of Miami for the fiscal year ended June 30, 2008. This annual report reflects the financial stewardship practiced in the Archdiocese of Miami.

When I wrote to you last year regarding finances, little did we know the magnitude of the challenges to come for our entire country. I will not go into all that has happened to the financial markets since then, as the media reports daily on the economic recession we are all facing.



FROM THE ARCHBISHOP
John C. Favalora

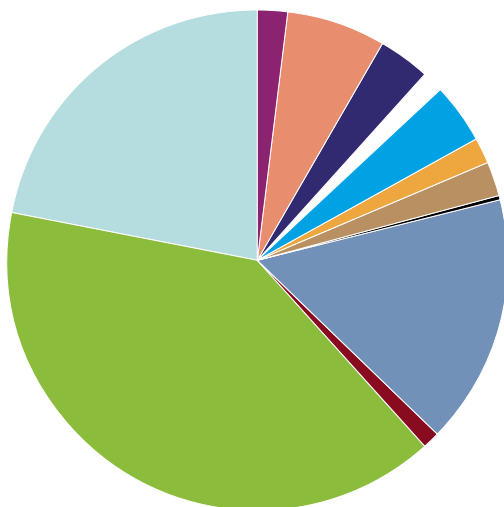
I do want to take a moment, however, to discuss the archdiocese's financial situation in very simple terms which we all can relate to, and that is re-evaluating and redefining our wants and our needs. Simply stated, the Archdiocese of Miami cannot spend more than it can afford, and what we once thought were needs in actuality were wants. We wanted to have a school on every parish site and we

wanted to have a parish in every neighborhood, but that is not the financial reality of today.

Since April of 2008, the Church of Miami has undergone an extensive self-financial examination to address the many needs of its faithful. As a result of that examination, I have made many difficult and painful decisions, including a layoff of approximately 55 Pastoral Center employees; accepted the recommendations from eight pastors to close their parish elementary schools; and recently the announced proposal to merge eight parishes and six missions and apostolates. As individuals, we all need to live within our means, and the Archdiocese of Miami

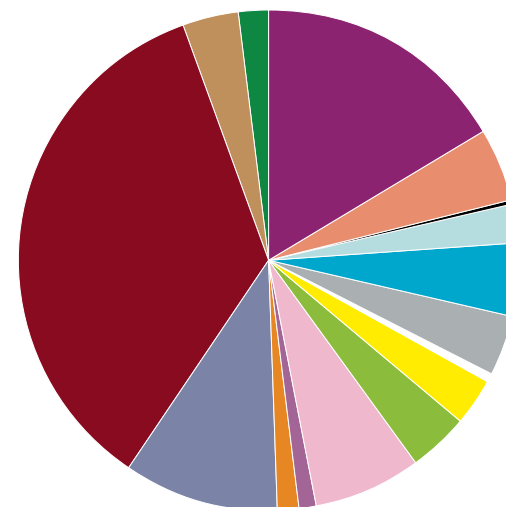
PLEASE SEE LETTER, A4

Expenditures



- Health plan cost — 7.8%
- Cemeteries — 1.6%
- Social and health services — 22.4%
- Christian formation (education) — 40.4%
- Persons (clergy and lay ministry development) — 0.7%
- Pastoral services — 16.2%
- Property and liability self-insurance — 2.8%
- Archdiocesan administration — 1.5%
- Depreciation and amortization — 1.9%
- Interest expense — 3.4%
- Provision for uncollectible receivables — 1.0%
- Property administration — 0.3%

Support and Revenues



- Social services, health services, fees and rentals — 18.0%
- Cemetery income, less cost of sales — 1.0%
- Charity, development and debt reduction drives — 3.8%
- School ordinary revenues — 34.1%
- Parish Offertory — 10.0%
- Subsidies from Pastoral Center — 1.4%
- General assessment from parishes — 1.2%
- Health care self-insurance — 7.5%
- Government grants and assistance — 4.1%
- United Way grants — 0.3%
- Bequests and donations — 2.2%
- Bingo, bazaars, fundraising, ancillary revenues — 4.5%
- Interest and investment income — 1.6%
- Contributed facilities, goods and services — 1.0%
- Other revenues — 5.2%
- Property and liability self-insurance — 4.1%

Archdiocese of Miami: Combining Balance Sheet at June 30, 2008, and 2007 (dollars in thousands)

	Pastoral Center	Churches	Schools			Cemeteries	Radio Station	Catholic Charities	Catholic Health Services	TOTALS	
			Elementary	Secondary	Colleges/Universities					2008	2007
ASSETS											
Cash and cash equivalents	\$ 1,122	\$ 63,126	\$ 40,847	\$ 15,285	\$ 11,719	\$ 2,488	\$ 177	\$ 5,066	\$10,175	\$ 150,005	\$ 150,129
Marketable securities	79,244	19,657	17,178	7,427	19,911				11,613	155,030	191,908
Receivables, net	36,081	77	7,279	90	9,376	35,033	405	4,674	9,832	102,847	106,985
Inventory and other assets	8,793				608	25,001	2,629	184	13,609	50,824	33,748
Land, buildings and equipment, net	43,931	519,958	63,773	110,193	42,360	5,225	2,667	11,366	102,233	901,706	827,224
Total assets	\$ 169,171	\$ 602,818	\$ 129,077	\$ 132,995	\$ 83,974	\$ 67,747	\$ 5,878	\$ 21,290	\$147,462	\$ 1,360,412	\$ 1,309,994
LIABILITIES AND NET ASSETS											
Notes payable	\$ 18,917	\$ 103,187	\$ 61	\$ 28,040	\$ 27,685	\$ 942	\$ 8,101	\$ 4,301	\$ 111,851	\$ 303,085	\$ 273,923
Advances and assessments due to Pastoral Center		54,885	2,719	496	1,408					59,508	65,818
Accounts payable and accrued expenses		10,530	7,009	2,298	4,729	2,799	243	2,054	15,844	45,506	40,680
Savings deposits payable to parishes and agencies	82,450									82,450	81,258
Self-insurance reserves	26,629									26,629	18,285
Trust accounts	10,102		84	2,435			23	755		13,399	15,330
Deferred revenues		62	13,288	5,326	1,457	30,645	41	580	5	51,404	39,954
Other liabilities	13,466	225			6,298	7,418	621	176	3,530	31,734	23,706
Total liabilities	151,564	168,889	23,161	38,595	41,577	41,804	9,029	7,111	131,985	613,715	558,954
NET ASSETS (DEFICIT)	17,607	433,929	105,916	94,400	42,397	25,943	(3,151)	14,179	15,477	746,697	751,040
Total liabilities and net assets	\$ 169,171	\$ 602,818	\$ 129,077	\$ 132,995	\$ 83,974	\$ 67,747	\$ 5,878	\$ 21,290	\$ 147,462	\$ 1,360,412	\$ 1,309,994

See accompanying notes to combined financial statements.

Archdiocese of Miami: Combining Support and Revenues, Expenditures, and Changes in Net Assets Twelve Months Ended June 30, 2008, and 2007 (dollars in thousands)

	Pastoral Center	Churches	Schools			Cemeteries	Radio Station	Catholic Charities	Catholic Health Services	TOTALS	
			Elementary	Secondary	Colleges/Universities					2008	2007
SUPPORT AND REVENUES:											
Parish Offertory		\$ 61,784								\$ 61,784	\$ 61,612
School ordinary revenues			\$ 107,081	\$ 67,851	\$ 38,632					213,564	210,486
Charity, development and debt reduction drives	\$ 8,713	6,606	4,229	3,712						23,260	21,903
Cemetery income, less cost of sales						\$ 6,081				6,081	11,457
Social services, health services, fees and rentals								\$ 998	\$ 110,729	111,727	100,463
Government grants and assistance		59	480	114	3,064				21,671	25,388	28,119
United Way grants									1,386	206	1,592
Bequests and donations	271	5,036	1,341	432	2,053		\$ 539	3,370	383	13,425	16,339
Bingo, bazaars, fundraising, ancillary revenues		12,379	5,193	5,322	3,456		1,680			28,030	28,763
Interest and investment income	(140)	2,841	2,318	498	52	3,743			701	10,013	22,176
Contributed facilities, goods and services					128			4,280	1,657	6,065	3,378
Other revenues	1,731	6,997	3,724	622	8,323	181	1,940	302	8,137	31,957	19,266
Internal assessments and subsidies:											
Property and liability self-insurance	25,167									25,167	22,597
Health care self-insurance	46,196									46,196	43,261
Parish subsidies to/from schools		3,569	(3,569)								
General assessment from parishes	7,132									7,132	7,084
Subsidies from Pastoral Center		3,471	2,752	233	582		436	1,000		8,474	7,842
Total support and revenues	89,070	102,742	123,549	78,784	56,290	10,005	4,595	33,007	121,813	619,855	606,249
EXPENDITURES:											
Pastoral services	7,117	90,257								97,374	92,424
Persons (clergy and lay ministry development)	4,388									4,388	7,224
Christian formation (education)	4,356		118,951	73,370	47,532					244,209	231,601
Social and health services	1,645						4,386	28,688	100,731	135,450	127,416
Cemeteries						9,906				9,906	11,555
Health plan cost	46,898									46,898	37,941
Property and liability self-insurance	17,119									17,119	19,562
Archdiocesan administration	9,314									9,314	7,844
Depreciation and amortization	1,203				2,675	510	190	971	6,053	11,602	10,855
Interest expense	5,213	6,725	6	1,618	1,257		422	274	5,211	20,726	21,328
Provision for uncollectible receivables	3,172				419	234		127	2,090	6,042	12,920
Property administration	1,772									1,772	2,208
Total expenditures	102,197	96,982	118,957	74,988	51,883	10,650	4,998	30,060	114,085	604,800	582,878
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(13,127)	5,760	4,592	3,796	4,407	(645)	(403)	2,947	7,728	15,055	23,371
OTHER CHANGES IN NET ASSETS:											
Building fund additions		7,635	739	1,654						10,028	14,513
Other	(1,491)	2,588	(21,483)	(195)	(5,547)	(1,667)			(1,631)	(29,426)	22,373
INCREASE (DECREASE) IN NET ASSETS	(14,618)	15,983	(16,152)	5,255	(1,140)	(2,312)	(403)	2,947	6,097	(4,343)	60,257
NET ASSETS (DEFICIT), BEGINNING	32,225	417,946	122,068	89,145	43,537	28,255	(2,748)	11,232	9,380	751,040	690,783
NET ASSETS (DEFICIT), ENDING	\$ 17,607	\$ 433,929	\$ 105,916	\$ 94,400	\$ 42,397	\$ 25,943	\$ (3,151)	\$ 14,179	\$ 15,477	\$ 746,697	\$ 751,040

See accompanying notes to combined financial statements.

PLEASE SEE FINANCIAL, A4



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FINANCIAL: Archdiocese of Miami financial statement continued

Notes to Combined Financial Statements

1. The statements for churches, elementary schools and secondary schools are unaudited.
2. Intercompany accounts and transactions have not been eliminated.
3. The Catholic Health Services statements include the combined statements of:

Archbishop Hurley Hall Inc.	06/30/08
Archbishop McCarthy Residence Inc.	06/30/08
Carroll Manor Inc.	06/30/08
Catholic Health Services Inc.	09/30/08
Catholic Housing for the Elderly and Handicapped Inc.	09/30/08
Centro Mater Child Care Services	06/30/08
Marian Center Services for Developmentally Handicapped and Mentally Retarded Inc.	06/30/08
Marian Towers Inc.	06/30/08
Palmer House Inc.	06/30/08
St. Andrew Towers Inc.	06/30/08
St. Anne's Gardens Inc.	06/30/08
St. Anne's Nursing, St. Anne's Residence Inc.	06/30/08
St. Boniface Gardens Inc.	06/30/08
St. Dominic Gardens Inc.	06/30/08
St. Elizabeth Gardens Inc.	06/30/08
St. John's Rehabilitation Hospital and Nursing Center Inc.	09/30/08
St. Joseph Residence Inc.	09/30/08
St. Joseph Towers Inc.	06/30/08
St. Mary Towers Inc.	06/30/08
Stella Maris House Inc.	06/30/08
Villa Maria Health Care Services Inc.	09/30/08
Villa Maria Nursing and Rehabilitation Center Inc.	09/30/08

4. The Archdiocese is a participant in the defined benefit pension plan for all employees of the Archdiocese of Miami, Diocese of St. Petersburg and Diocese of Venice.
5. Colleges and Universities include the combined statements of St. Thomas University and St. John Vianney Seminary.
6. The following is the disposition of the Archbishop's Charities and Development Drive Funds:

Catholic Charities	\$ 1,000,000
Education	2,984,000
Parishes	2,375,000
Maintenance and repair facilities	1,021,000
Mass-media evangelization	442,000
Ministries and pastoral services	891,000
	<u>\$ 8,713,000</u>

Archdiocese of Miami 2008 statistical data

Personnel

Archbishops.....	1
Auxiliary Bishops.....	2
Retired Bishops.....	2

Priests:

Diocesan Active in Diocese.....	174
Diocesan Active Outside Diocese.....	8
Diocesan in Foreign Missions.....	1
Retired, Sick or Absent.....	81
Number of Diocesan Priests.....	264
Religious Priests in Diocese.....	98
Total Priests in Diocese.....	362
Extern Priests in Diocese.....	70

Ordinations:

Diocesan Priests.....	4
Transitional Deacons.....	5
Permanent Deacons in Diocese.....	143
Total Brothers.....	49
Total Sisters.....	291

Parishes

Parishes.....	111
With Resident Pastor:	
Resident Diocesan Priests.....	102
Resident Religious Priests.....	9
Missions.....	7
Pastoral Centers.....	1
Professional Ministry Personnel:	
Brothers.....	2
Sisters.....	42
Lay Ministers.....	123

Welfare

Catholic Hospitals.....	2
Total Assisted.....	1,337,517
Health Care Centers.....	11
Total Assisted.....	25,134
Homes for Aged.....	5
Total Assisted.....	3,327
Residential Care of Children.....	2
Total Assisted.....	330
Day Care Centers.....	7
Total Assisted.....	3,596
Specialized Homes.....	2
Total Assisted.....	400
Special Centers for Social Services.....	10
Total Assisted.....	9,769

Residential Care of Disabled.....	1
Total Assisted.....	11
Other Institutions.....	14
Total Assisted.....	67,900

Educational

Seminaries, Diocesan.....	1
Students from This Diocese.....	18
Students from Other Diocese.....	34
Diocesan Students in Other Seminaries.....	23
Total Seminarians.....	41
Colleges and Universities.....	2
Total Students.....	12,568
High Schools, Diocesan and Parish.....	9
Total Students.....	9,596
High Schools, Private.....	4
Total Students.....	3,333
Elementary Schools, Diocesan and Parish.....	58
Total Students.....	22,716
Elementary Schools, Private.....	2
Total Students.....	1,063
Nonresidential School for the Disabled.....	2
Total Students.....	1,076

Catechesis/Religious Education

High School Students.....	3,639
Elementary Students.....	35,362
Total Students under Catholic Instruction..	89,394

Teachers in the Archdiocese:

Priests.....	28
Brothers.....	29
Sisters.....	69
Lay Teachers.....	3,274

Vital Statistics

Receptions into the Church:

Infant Baptism Totals.....	15,184
Adult Baptism Totals.....	542
Received into Full Communion.....	617
First Communions.....	13,008
Confirmations.....	8,675
Marriages:	
Catholic.....	2,231
Interfaith.....	267
Total Marriages.....	2,498
Deaths.....	4,461
Total Catholic Population.....	791,182
Total Population.....	4,264,581

Source: 2008 Official Catholic Directory

LETTER

FROM A2

is no different. Economists report that as a nation, we are in our sixth recession since 1967. During these recessionary periods, we tend to forget the prosperity and countless blessings we have previously enjoyed. With each passing day we come closer to experiencing that prosperity once again, and blessings which cannot be measured by economists continue to be bestowed upon us each and every day — we only need to take the time to notice them.

The Church of Miami will continue to grow and provide for the faithful in ways which may not be clear to us today, but as always the Lord will provide and bless the faithful abundantly. I

remain extremely optimistic and confident that the Church of Miami and the faithful it serves will emerge from these difficult times financially stronger and, more importantly, spiritually strengthened as a Catholic community.

During these difficult and challenging times, I want to thank you for generously sharing the gifts you have received from God. I sincerely believe that Our Lord will convey to you his special blessings and graces for all you have done to bring his love to the spiritually, emotionally and physically needy in this archdiocese.

May the Lord continue to bless you and your loved ones abundantly. With personal good wishes, I am,

Sincerely in the Lord,
John C. Favalora
Archbishop of Miami