

Report to the Community 2010

The Catholic Diocese of Cleveland

Size: 20th largest Diocese in the United States. Founded: April 23, 1847

Area: 3,414 square miles. Includes eight counties: Cuyahoga (Cleveland), Summit (Akron), Lorain (Lorain-Elyria) Lake (Painesville), Geauga (Chardon), Medina (Medina), Wayne (Wooster), and Ashland (Ashland)

Cathedral: Cathedral of St. John the Evangelist

Established in 1848

My Dear Sisters and Brothers in Christ,

Blessings upon all of you, the Faithful of the Diocese of Cleveland.



This is the seventh consecutive year for publication of the Diocesan "Report to the Community." Please take this opportunity to review the fiscal accounting of the many programs and activities in our Diocese which are all directed toward enriching our lives and the lives of others, enhancing our spiritual growth, and spreading the message of Jesus Christ.

The year 2010 was challenging for all of us. It brought about some closure to our reconfiguration process, but also began the experience of New Beginnings. New parishes, new programs, and new leadership are involved in our mission of evangelization, and for some, re-evangelization, as we move toward providing a stronger, more vibrant Catholic faith community in Northeast Ohio.

I would be remiss if I did not express my heartfelt thanks to all of you who have continued your support of our Church in these difficult economic times in our region.

The work of the Holy Spirit in your hearts allows all of us to do so much for so many. I often reflect on the goodness of the people across our Diocese as I express my gratitude for their support. Whether it is in Cleveland, Akron, Lorain, or any of the dozens of municipalities within our eight counties, your work and commitment is what is truly reflected in the facts and figures of this report.

During these days in the life of our Diocese, please know that I am most grateful for your love, care and support for the Church.

Sincerely yours in Christ,

Richard Lennon

Diocese of Cleveland Offertory Collections

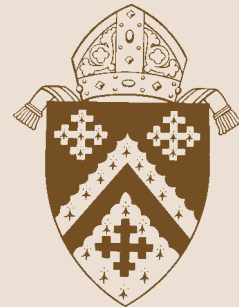
Since the year 2000, much has happened in our Diocese and in the past few years we have experienced very challenging economic times in our geographical region and in the economic markets. Nonetheless, parish offertory has grown by 5.7% over that period of time. In 2010, despite the economic challenges, parish offertory declined just 3.5% from 2009. Catholics remain generous in supporting their parishes and the many parish ministries.

Offertory collections for the fiscal years ended June 30 totaled,

2010	\$105.8 million
2009	109.6
2008	111.2
2007	109.0
2006	106.1
2005	104.7
2004	104.3
2003	103.3
2002	106.0
2001	103.3
2000	100.1

Report to the Community 2010 Statistics

124	Catholic Schools
102	Elementary Schools
22	Secondary Schools
47,479	Enrollments in Catholic Schools
47,397	Enrollments in PSR Programs
260	Active Diocesan Priests
131	Retired Priests
99	Religious Order Priests
57	Brothers
1,035	Women Religious
215	Permanent Deacons
710,351	Catholic Population in the Diocese
174	Parishes
6,266	Infant/Child Baptisms
8,628	First Communions
1,003	Rite of Christian Initiation of Adults
7,801	Confirmations
2,299	Marriages
6,947	Deaths

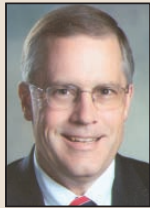


Catholic Charities

328,973	Individuals Served by Catholic Charities Health and Human Services
58,771	Nights of Shelter Provided
2,970	People Treated for Chemical Dependency
3,101,328	Meals Served through Catholic Hunger and Shelter Network
2,518	Unemployed Persons Trained
27,486	Children Participating in CYO Athletics
424	Children Placed in Adoption
458	Children with Disabilities in Day Camp

Report of Chief Financial Officer

I am pleased to have this opportunity to share financial information about the Diocese of Cleveland. Included herein are two tables presenting the Finance Office of the Diocese and the combined operating results of our parishes in the Diocese. The Finance Office data is summarized from our audited financial statements, which received an unqualified opinion from our outside auditors. The parish data is summarized from the unaudited reports that each parish submits to the Diocese.



The report for the Finance Office indicates that 2010 revenue was significantly higher than 2009, by \$8.1 million. This improvement was totally due to investment market performance. In 2010, realized and unrealized gains in our investment portfolio totaled \$5.6 million, while 2009 reflected \$4.8 million in net realized and unrealized losses. The Diocese employs a longer term, strategic, diversified, patient approach to investing which was

rewarded in 2010 as the financial markets recovered from prior years' weakness. Utilization of the funds included in the investment portfolio is carefully governed by spending policies and donor restrictions.

Assessment collections were stable as more parishes were timely with their current assessments and continued repayment of old assessment debts. Other income returned to normal levels following the gain on sale of the Diocesan retreat center in 2009. The Diocese has also begun to sell some of the parish properties that were closed in the past two years, although sale activity in the fiscal year ended June 30, 2010 was negligible. These sale transactions will be reported on the books of the related parishes and the proceeds used to cover parish obligations with the remainder primarily redeployed into the newly-formed, merged parishes. Past years' assessment collections in excess of budgeted revenues and Diocesan-owned property sale proceeds have been set aside for the costs of parish consolidation. Excluding consolidation costs, operating expenses increased 1.0% in 2010.

The report for the combined operating results of our parishes shows that offertory support decreased \$3.8 million or 3.5%.

Investment income increased significantly due to the improving markets. It is important to note that the majority of the investment income (loss) line item represents unrealized market value fluctuations in our investments. As such, the income in 2010 does not represent cash available for current operations, just as the loss in 2009 did not represent a reduction in our operating cash. The invested funds are primarily endowments where interest and dividend income can be used for operating purposes. Grade school revenues were also down, due primarily to lower enrollment, slightly fewer schools, and reduced government funding. Excluding the impact of the unrealized investment gains, total income for the consolidated parish and school operations was down 2.4%. Total combined expenses also decreased, by 3.3% or \$8.7 million, resulting from cost efficiency measures taken by pastors and lower expenses resulting from the consolidation and closing of several parishes and grade schools. Combined grade school expenses exceeded grade school revenues by \$23.9 million in 2010, which is a \$1.6 million improvement over 2009. Parish funds filled this gap in support of Catholic education. Finally, excluding large capital

projects, 32% of our parishes reported expenses greater than revenues, or operating deficits, for 2010.

I want to publicly thank the members of the Diocesan Finance Council for the support they provide to the Bishop and the Finance Office, and extend that appreciation to Catholics throughout the Diocese. The continuing generosity of the Catholic community and the sharing of time, talent and treasure make possible the good works of our Church in the Diocese of Cleveland.

Should you have any questions regarding this financial report, please contact me at the Catholic Diocese of Cleveland, 1404 East Ninth Street, 8th Floor, Cleveland, Ohio 44114, 1-800-869-6525, ext. 5960, or at FinanceOffice@DioceseofCleveland.org. I also invite you to visit our website for additional financial information about our Diocese, at www.DioceseofCleveland.org/finance.

Thank you for your continuing support of our Church.

Sincerely,

James P. Gulick
Chief Financial Officer

Additional financial information is available at www.DioceseofCleveland.org/finance

DIOCESE OF CLEVELAND FINANCE OFFICE (Dollars in thousands)

	Fiscal Years Ended June 30,	
	2010	2009
Revenue		
Parish Assessments	\$13,934	\$13,905
Investment Income (Loss)	\$5,616	\$(4,775)
Contributions	\$219	\$642
Rent	\$358	\$365
Other	\$117	\$2,006
Total Revenue	\$20,244	\$12,143
Expenses		
Chancery	\$2,053	\$1,907
Clergy & Religious	\$4,233	\$4,422
Education	\$1,686	\$1,685
Catechetical Services	\$860	\$853
Parish Life	\$1,020	\$995
Finance & Legal	\$1,665	\$1,745
Administrative	\$1,457	\$1,286
Catholic Community Foundation	\$670	\$665
Pastoral	\$620	\$597
Distributions & Other	\$899	\$851
Consolidation Costs	\$763	
Total Expenses	\$15,926	\$15,006

Copies of the complete audited financial statements are available at the Catholic Diocese of Cleveland website home page: finances.org or at www.DioceseofCleveland.org/finance



DIOCESE OF CLEVELAND PARISH OPERATIONS, COMBINED, INCLUDING SCHOOLS (Dollars in thousands)

	Fiscal Years Ended June 30,	
	2010	2009
Revenue		
Offertory Income	\$105,780	\$109,551
Grade School, All Sources	\$93,713	\$97,400
Bequests & Gifts	\$12,595	\$11,513
Investment & Rental Income	\$14,264	\$(2,445)
Fund Raising, Net	\$13,538	\$14,080
Parish Activities & Other		
Operating Income	\$12,748	\$13,282
Designated Collections	\$3,288	\$2,771
Extraordinary Receipts	\$4,902	\$3,127
Total Revenue	\$260,828	\$249,279
Expenses		
Grade School Expenses	\$117,614	\$122,931
Parish Salaries	\$44,492	\$45,064
Payroll Taxes & Benefits	\$13,500	\$13,720
Utilities, Maintenance, Taxes & Insurance	\$20,693	\$23,209
Capital Improvements	\$22,023	\$21,267
Diocesan Assessments	\$13,714	\$14,169
Programs, Ministry & Liturgy	\$12,151	\$12,035
Administration & Rectory	\$10,714	\$11,337
Payments to Other Schools	\$2,464	\$2,872
Designated Collections	\$3,312	\$2,780
Total Expenses	\$260,677	\$269,384

The above schedule summarizes and combines 174 parish reports for 2010. Parish reports are reviewed by each parish's Finance Council. Total operating expenses exceeded operating revenues at 32% of the parishes in 2010. Such deficits are generally funded by parish savings.

Diocese of Cleveland Finance Council

Chairman: Richard H. Marsh, Retired CFO, Sr. Vice Pres – First Energy Corp
 Angela G. Carlin, Attorney at Law – Weston Hurd, LLP
 Maria Coyne, Executive Vice President – Key Bank
 Karen R. Kleinhenz, Principal – Kleinhenz & Associates, Ltd.
 Anthony F. Lang, CPA, Retired Partner - Hausser + Taylor, LLC
 Patrick J. McMahon, CPA, Sr. Vice Pres & CFO – Sisters of Charity Health System
 Dominic L. Ozanne, President & CEO – Ozanne Construction Company
 Thomas P. Perciak, Mayor – City of Strongsville, Ohio
 William J. Reidy, CPA, Retired Partner - PriceWaterhouseCoopers

Financial Misconduct Hotline

The Catholic Diocese of Cleveland sponsors a [Diocesan Financial Misconduct Hotline](#). During the fiscal year ended June 30, 2010 nine reports were received and investigated. This reporting mechanism allows Catholic Diocese of Cleveland employees, parish employees, volunteers, vendors, parishioners, or any interested party to report concerns about suspected financial irregularities. Reporting is done anonymously by calling 1-888-235-1723 or clicking the Financial Misconduct Hotline link on the Diocese of Cleveland website at www.DioceseofCleveland.org.