CENTRAL ADMINISTRATIVE OFFICE
OF THE DIOCESE OF CLEVELAND

FINANCIAL REPORT

JUNE 30, 2026 and 2025



MALONEY + NOVOTNY LLC

CENTRAL ADMINISTRATIVE OFFICE OF THE DIOCESE OF CLEVELAND

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-20

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Independent Auditors' Report

Most Reverend Edward C. Malesic
Bishop of The Catholic Diocese of Cleveland
Cleveland, Ohio

Opinion

We have audited the financial statements of the Central Administrative Office of The Diocese of Cleveland ("CAO") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2026 and 2025, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the CAO as of June 30, 2026 and 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the CAO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CAO's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CAO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CAO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Maloney + Novotny LLC

Cleveland, Ohio
November 11, 2026

CENTRAL ADMINISTRATIVE OFFICE OF THE DIOCESE OF CLEVELAND

STATEMENTS OF FINANCIAL POSITION

June 30, 2026 and 2025

	2026	2025
ASSETS		
Cash and cash equivalents	$ 10,424,343	$ 8,026,598
Short term investments	3,329,554	11,051,304
Investments	160,131,135	146,890,124
Accounts receivable, net of allowance of $6,040,003 in 2026 and 2025	3,154,838	2,388,418
Property and equipment, net	13,865,102	6,035,026
Other assets	167,143	20,333
Assets held as custodian	1,567,302	2,015,145
Total assets	$ 192,639,417	$ 176,426,948
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 4,297,738	$ 1,419,696
Accrued compensation	251,470	325,528
Funds held for others	1,567,302	2,015,145
Total liabilities	6,116,510	3,760,369
Net assets:		
Without donor restrictions	26,391,773	26,142,441
With donor restrictions	160,131,134	146,524,138
Total net assets	186,522,907	172,666,579
Total liabilities and net assets	$ 192,639,417	$ 176,426,948

The accompanying notes are an integral part of these financial statements.

CENTRAL ADMINISTRATIVE OFFICE OF THE DIOCESE OF CLEVELAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2026

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Assessments	$ 17,194,116		$ 17,194,116
Contributions		$ 1,175,579	1,175,579
Investment income, net	673,000	3,388,072	4,061,072
Net realized and unrealized gains on investments	59,843	13,703,965	13,763,808
Royalties and lease income	862,452		862,452
Other operating revenues	3,063,283		3,063,283
Mission, ministry, and other	1,617,552		1,617,552
Net assets released from restrictions	4,660,620	(4,660,620)	-
Total revenues	28,130,866	13,606,996	41,737,862
OPERATING EXPENDITURES			
Salaries and wages	10,555,445		10,555,445
Taxes and benefits	2,900,557		2,900,557
Mission, ministry, and other	1,996,322		1,996,322
Priests - education and care	1,055,787		1,055,787
Occupancy, utilities, and depreciation	1,549,922		1,549,922
Professional fees	1,863,035		1,863,035
Assessments and Holy See	471,310		471,310
Equipment, maintenance, and technology	468,435		468,435
Administrative	2,451,540		2,451,540
Total operating expenditures	23,312,353		23,312,353
DIRECT SUBSIDIES			
Seminaries and Center for Pastoral Leadership	3,547,604		3,547,604
Education	411,913		411,913
Catholic Community Foundation	507,200		507,200
Cathedral	102,464		102,464
Total direct subsidies	4,569,181		4,569,181
Total operating expenditures and direct subsidies	27,881,534		27,881,534
	249,332	13,606,996	13,856,328
NET ASSETS AT BEGINNING OF YEAR	26,142,441	146,524,138	172,666,579
NET ASSETS AT END OF YEAR	$ 26,391,773	$160,131,134	$186,522,907

The accompanying notes are an integral part of these financial statements.

CENTRAL ADMINISTRATIVE OFFICE OF THE DIOCESE OF CLEVELAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Assessments	$ 16,189,611		$ 16,189,611
Contributions		$ 116,166	116,166
Investment income, net	911,240	3,389,612	4,300,852
Net realized and unrealized gains on investments	57,075	10,427,003	10,484,078
Royalties and lease income	791,299		791,299
Other operating revenues	3,499,137		3,499,137
Mission, ministry, and other	985,388		985,388
Net assets released from restrictions	5,619,460	(5,619,460)	-
Total revenues	28,053,210	8,313,321	36,366,531
OPERATING EXPENDITURES			
Salaries and wages	10,162,171		10,162,171
Taxes and benefits	2,860,442		2,860,442
Mission, ministry, and other	1,589,706		1,589,706
Priests - education and care	1,007,624		1,007,624
Occupancy, utilities, and depreciation	1,420,748		1,420,748
Professional fees	1,534,163		1,534,163
Assessments and Holy See	475,245		475,245
Equipment, maintenance, and technology	297,560		297,560
Administrative	3,172,295		3,172,295
Total operating expenditures	22,519,954		22,519,954
DIRECT SUBSIDIES			
Seminaries and Center for Pastoral Leadership	3,575,022		3,575,022
Education	472,883		472,883
Catholic Community Foundation	507,200		507,200
Cathedral	549,464		549,464
Total direct subsidies	5,104,569		5,104,569
Total operating expenditures and direct subsidies	27,624,523		27,624,523
	428,687	8,313,321	8,742,008
NET ASSETS AT BEGINNING OF YEAR	25,713,754	138,210,817	163,924,571
NET ASSETS AT END OF YEAR	$ 26,142,441	$146,524,138	$172,666,579

The accompanying notes are an integral part of these financial statements.

CENTRAL ADMINISTRATIVE OFFICE OF THE DIOCESE OF CLEVELAND

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2026 and 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 13,856,328	$ 8,742,008
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(13,763,808)	(10,484,078)
Depreciation	451,303	461,216
Contributions restricted for capital and endowment	(1,175,579)	(116,166)
Changes in operating assets and liabilities:		
Accounts receivable, net	(766,420)	(1,301,785)
Other assets	(146,810)	3,189
Accounts payable	302,670	451,735
Accrued compensation	(74,058)	(69,902)
Net cash used in operating activities	(1,316,374)	(2,313,783)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments, net	8,244,547	1,283,731
Purchase of property and equipment	(5,706,007)	(17,095)
Net cash provided by investing activities	2,538,540	1,266,636
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for capital and endowment	1,175,579	116,166
CHANGE IN CASH AND CASH EQUIVALENTS	2,397,745	(930,981)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,026,598	8,957,579
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 10,424,343	$ 8,026,598
Supplemental disclosure of noncash operating and investing activities:		
Purchase of property and equipment included in accounts payable	$ 2,575,372	$ -

The accompanying notes are an integral part of these financial statements.

Note 1. Organization and Operations

The Central Administrative Office ("CAO") is organized under the stewardship of the Bishop of The Diocese of Cleveland (the "Diocese"). The CAO serves parishes and other Diocesan organizations by providing assistance in the administration of pastoral, education, and vocational services; providing funding for religious education and vocation development, community and human development, Diocesan schools, and charitable activities; and providing administrative support in areas of finance, legal matters, human resources, facilities management, and technology. The CAO is also responsible for all financial, investment, and real estate transactions at the Diocesan level as delegated to the CAO by the Bishop.

The Diocese is an ecclesiastical territory which encompasses eight counties in Northern Ohio. Title to all parish, parish school, and church properties in the Diocese is held in the name of the Bishop and his successors. The Bishop has ecclesiastical responsibility for approximately 183 parishes and several other institutions including Diocesan schools, seminaries, cemeteries, Catholic Charities, Facilities Services, Catholic Community Foundation, and related entities. Each of these activities, as well as parishes and schools, are an operating entity distinct from the CAO and are not included in the accompanying audited financial statements. Each entity maintains separate financial records and carries out its own services and programs.

Note 2. Summary of Significant Accounting Policies

Accrual Basis:

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation:

The CAO's financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The CAO is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

A description of these categories follows:

Net Assets Without Donor Restrictions – Includes the net assets that are free of donor-imposed restrictions.

Net Assets With Donor Restrictions – Includes the net assets from contributions or other inflows where the use is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by the actions of the CAO. This also includes net assets from contributions or other inflows subject to donor-imposed restrictions that they be maintained in perpetuity by the CAO.

Cash and Cash Equivalents:

The CAO considers all highly liquid investments, with initial maturities of three months or less, to be cash equivalents. Cash accounts with financial institutions are insured by the Federal Deposit Insurance Corporation up to federally insured limits.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments and Fair Value of Financial Instruments:

GAAP requires that investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value with realized and unrealized gains and losses included in the statements of activities. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur.

Investments traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year; investments traded on a national securities exchange for which no sale was reported on that date and investments traded on the over-the-counter market are valued at the last reported bid prices; and investments not having an established market are valued at fair value based upon the advice of the investment advisor.

The carrying values of accounts receivables, accounts payable, and accrued expenses approximate fair value because of the short maturity of these financial instruments.

The CAO estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

Level 1 – Quoted market prices in active markets for identical assets and liabilities

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3 – Unobservable inputs in which little or no market data exists

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the CAO believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level within the fair value hierarchy the CAO's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of June 30, 2026 and 2025. Certain investments that are measured at fair value using the net asset value ("NAV") per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in these tables are intended to reconcile the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments and Fair Value of Financial Instruments (Continued):

2026	Level 1	Level 2	Level 3	Total
Cash and money market	$ 15,688,399			$ 15,688,399
U.S. treasury bills	7,472,641			7,472,641
Common stocks		$ 74,209,975		74,209,975
Corporate and international bonds		33,781,266		33,781,266
Government and muni bonds		21,013,315		21,013,315
Loans and land held as investment			$ 4,809,054	4,809,054
Agency bonds and mortgages	-	4,513,028	-	4,513,028
Total investments subject to fair value leveling	23,161,040	133,517,584	4,809,054	161,487,678
Investments in real estate investment trust using the NAV practical expedient	-	-	-	1,973,011
Subtotal	23,161,040	133,517,584	4,809,054	163,460,689
Assets held for custodian:				
Cash and money market	373,357			373,357
Government and corporate bonds	-	1,193,945	-	1,193,945
Subtotal	373,357	1,193,945	-	1,567,302
Total	$ 23,534,397	$ 134,711,529	$ 4,809,054	$ 165,027,991

Note 2. Summary of Significant Accounting Policies (Continued)

Investments and Fair Value of Financial Instruments (Continued):

2025	Level 1	Level 2	Level 3	Total
Cash and money market	$ 674,661			$ 674,661
U.S. treasury bills	27,645,701			27,645,701
Common stocks		$ 66,841,964		66,841,964
Corporate and international bonds		21,312,045		21,312,045
Government and muni bonds		30,785,312		30,785,312
Loans and land held as investment			$ 4,030,088	4,030,088
Agency bonds and mortgages	-	4,684,296	-	4,684,296
Total investments subject to fair value leveling	28,320,362	123,623,617	4,030,088	155,974,067
Investments in real estate investment trust using the NAV practical expedient	-	-	-	1,967,361
Subtotal	28,320,362	123,623,617	4,030,088	157,941,428
Assets held for custodian:				
Cash and money market	897,347			897,347
Government and corporate bonds	-	1,117,798	-	1,117,798
Subtotal	897,347	1,117,798	-	2,015,145
Total	$ 29,217,709	$ 124,741,415	$ 4,030,088	$ 159,956,573

U.S. treasury bills – U.S. treasury bills consist of marketable equity securities of domestic and international corporations in a variety of industries that are valued based on quoted prices in active markets and are classified as Level 1.

Common stocks – Common stocks consist of marketable equity securities of domestic and international corporations in a variety of industries that are valued using observable market inputs, including quoted prices for similar securities in active markets or quoted prices for identical or similar securities in markets that are not active. These are classified as Level 2.

Corporate and international bonds – These bonds consist of investments in U.S. and foreign corporations and are valued using observable market inputs, including quoted prices for similar securities in active markets or quoted prices for identical or similar securities in markets that are not active. These are classified as Level 2.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments and Fair Value of Financial Instruments (Continued):

Government and muni bonds – Government and muni bonds consist of investments in U.S. Treasuries and government related securities that are valued using observable market inputs, including quoted prices for similar securities in active markets or quoted prices for identical or similar securities in markets that are not active. These are classified as Level 2.

Loans and land held as investment – Loans and land held for investment are valued using valuation techniques that incorporate significant unobservable inputs. Loans are valued based on the present value of estimated future cash flows, considering factors such as expected repayment terms, credit risk, and market interest rates. Land held as investment is valued based on available market information, including comparable property transactions, adjusted for property-specific characteristics and market conditions. Due to the significance of unobservable inputs used in determining fair value, these investments are classified as Level 3.

Agency bonds and mortgages – These securities are valued based on the market value of the underlying investments and related interest rates; values that, while observable in the market, are subject to adjustment due to pricing considerations for the specific instruments and are classified as Level 2.

These methods described above may produce a fair value that may not reflect net realizable value or future fair values. There have been no changes in the methodologies used from 2025 to 2026. Although the CAO believes its valuation methods are appropriate and consistent with other market participants, different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value at the reporting date.

The following table summarizes changes of the CAO's Level 3 inputs:

	Investments
Beginning balance - July 1, 2024	$ 4,233,776
Additions	2,368,766
Payments	(2,572,454)
Ending balance - June 30, 2025	$ 4,030,088
Beginning balance - July 1, 2025	$ 4,030,088
Purchases	3,981,349
Disbursements	(3,202,383)
Ending balance - June 30, 2026	$ 4,809,054

Note 2. Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk:

Financial instruments which potentially subject the CAO to concentration of credit risk consist principally of temporary cash investments, receivables, and marketable securities. The CAO places its temporary cash and other investments with national financial institutions and securities dealers, which may exceed federally and privately insured amounts at times.

Risks, Uncertainties, and Contingencies:

The CAO maintains investments in U.S. Government obligations, corporate bonds, equities, and mortgage backed securities. These investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

The Diocese is a co-borrower or guarantor on bank loans where several individual parishes or schools are the primary borrowers. The aggregate exposure to the Diocese is $1.1 million as of June 30, 2026 and 2025. The Diocese deems it unlikely that any of the amounts of guarantee will be called by the lending institution.

Accounts Receivable:

Accounts receivable represent advances to charitable institutions (primarily parishes and schools) associated with or controlled by the Diocese. Significant advances have been made over several years in support of parish and school operations and capital repair needs and in support of closed facilities held for current or future sale. Repayment is generally made when parish cash flow permits or upon sale of a closed facility as cash flow permits.

The CAO provides for uncollectible accounts receivable using the specific identification method. Management estimates an allowance of $6,040,003 as of June 30, 2026 and 2025. The estimate is based on management's review of individual accounts receivable and an assessment of the CAO's historical evidence of collections, current and future economic conditions and evaluation of the parishes', schools', or other entity's financial condition. Credit loss expense for the years ended June 30, 2026 and 2025 totaled $-0-.

Property and Equipment:

Property and equipment are stated at cost or fair market value at the date of donation. Depreciation is computed over the estimated useful life of the asset using the straight-line method. Maintenance, repairs, and minor renewals are charged to expense when incurred, while additions and major betterments are capitalized.

Construction in progress represents current construction activities that are related to capital renovation projects. At June 30, 2026, CAO has outstanding construction commitments of approximately $29,000,000.

Note 2. Summary of Significant Accounting Policies (Continued)

Accrued Compensation Obligations:

Certain eligible employees of age 55 or older, with a minimum of ten years' experience, are entitled to accumulated sick pay compensation upon retirement from the CAO. The accrued compensation obligation at June 30, 2026 and 2025 was $251,470 and $325,528, respectively, and represents those employees who have reached both the required eligible age and years of service. The obligation is based on the total compensation due to each employee based upon current salary, years of service, and eligible sick days.

Contributions:

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenues:

The principal source of operating revenue for the CAO is parish and school assessments. The amount assessed to each parish is determined by applying a specific formula to parish revenues as defined by the Diocese. The amount charged to each school is determined by the number of students enrolled. Assessments from parishes and schools are billed monthly and recorded as revenues when received. The difference between amounts billed and received are immaterial at year end. All other revenues are recorded at a point in time when earned.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events:

The CAO has evaluated all events subsequent to the statement of financial position date of June 30, 2026, through November 11, 2026, which is the date these financial statements were available to be issued.

Note 3. Investments

The following is the composition of investments at June 30:

Short term investments:

	2026	2025
U. S. treasury securities	$ 3,329,554	$ 11,051,304

Short term investments consist of treasury securities with a maturity of less than one year.

Investments:

	2026	2025
Investments	$ 19,354,039	$ 17,269,058
Collective pooled investments	135,968,042	125,590,978
Loans receivable	4,802,786	4,023,820
Land held as investments	6,268	6,268
	$ 160,131,135	$ 146,890,124

Assets held as custodian:

	2026	2025
Cash and money market	$ 1,567,302	$ 1,117,798
Certificates of deposit	-	897,347
	$ 1,567,302	$ 2,015,145

Custodial assets and liabilities include funds held by the CAO for endowment or long-term investments on behalf of other Diocesan organizations.

The CAO places great importance on risk reduction through diversification by asset class and management style. Investment results are measured using a five year period or a market cycle. Shorter time periods may be used to determine the trend of the CAO's performance or deficiencies.

The basic investment performance objective for the portfolio is to obtain a total return, net of all investment related fees, over a five year moving average that exceeds the total return of the respective index or benchmark for each asset class in the portfolio. In addition, each manager's performance should be at or above the median of their peer universe.

The investment strategy for asset allocation targets 60% equity and 40% fixed income investments and also provides for the holding of cash to provide liquidity and miscellaneous land investments. The collective pooled investments' actual allocation approximates the 60% equity and 40% fixed income target. The policy provides for further diversification by various investment segments within the basic asset allocation to recognize that a variety of management styles are appropriate to mitigate risk and achieve targeted returns.

Note 3. Investments (Continued)

Market value fluctuations may cause variations from the basic strategic asset allocation policy. Rebalancing of the portfolio is done on a periodic basis generally when the asset allocation percentages vary from the policy percentages by approximately 3%-5% or more. The CAO does not deem it acceptable to time the market with tactical allocation shifts. The intention of this policy is to avoid short-term judgments that introduce significant unplanned risk. The investment policy mandates moral and social investment responsibility consistent with the Socially Responsible Investment Guidelines of the United States Conference of Catholic Bishops.

Note 4. Endowment Funds

The CAO's endowment consists of donor-restricted endowment funds established for various purposes within the Diocese. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The CAO has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the CAO classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment, the original value of subsequent gifts, and any accumulations required by donor stipulation or law.

The CAO's investment and spending policies are designed to provide a predictable stream of funding while seeking to preserve the purchasing power of the endowment assets over the long term. In accordance with the CAO's spending policy, annual distributions are limited to 4% - 5% of the endowment fund's twelve-quarter average market value, calculated as of the December 31 date preceding the start of the fiscal year. Distributions from endowment funds are made in accordance with donor stipulations applicable to the funds being distributed. Annual spending is funded by interest, dividends, and realized and unrealized gains on endowment investments. The CAO's investment return objectives are to earn a rate of return that meets or exceeds spending needs, inflation, and investment management costs over time, while maintaining an appropriate level of risk.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to be retained as a fund of perpetual duration. As of June 30, 2026 and 2025, there were no funds with deficiencies.

Note 4. Endowment Funds (Continued)

At June 30, 2026 and 2025, endowment composition by type of fund is as follows:

	With Donor Restrictions		
	Original Gift Amount	Accumulated Gains	Total
Endowment assets, July 1, 2024	$ 43,495,666	$ 53,184,224	$ 96,679,890
Investment return:			
Investment income, net	-	2,103,440	2,103,440
Net appreciation (realized and unrealized)	-	7,257,914	7,257,914
Total investment return	-	9,361,354	9,361,354
Contributions	133	-	133
Appropriations of endowment assets for expenditure	-	(3,795,767)	(3,795,767)
Endowment assets, June 30, 2025	$ 43,495,799	$ 58,749,811	$ 102,245,610
Investment return:			
Investment income, net	-	2,269,504	2,269,504
Net appreciation (realized and unrealized)	-	10,392,240	10,392,240
Total investment return	-	12,661,744	12,661,744
Contributions	63,431	-	63,431
Appropriations of endowment assets for expenditure	-	(4,397,933)	(4,397,933)
Endowment assets, June 30, 2026	$ 43,559,230	$ 67,013,622	$ 110,572,852

Note 5. Net Assets

Net assets with donor restrictions comprise the following at of June 30, 2026:

	2026	2025
Subject to expenditure for specified purpose:		
Ministerial Fund	$ 22,803,767	$ 21,124,101
Parish Assistance Fund	5,957,486	5,560,570
Clergy Health and Senior Priest Funds	4,380,711	4,074,715
Seminary Fund	1,453,576	1,377,299
Communications Funds	912,866	774,270
Worship Fund	3,574,276	3,312,090
Diaconate Fund	422,848	407,158
Media and Technology	401,514	386,615
Connecting to the People Fund	2,699,979	2,599,792
Education of Priests	5,994,292	5,140,837
Priestly Formation	52,534,055	45,222,890
Sustaining Catholic Presence	4,280,213	3,437,714
Retired Priests Support	1,303,146	1,017,272
Other	9,853,175	8,593,016
	116,571,904	103,028,339
Endowments:		
Subject to the spending policy and appropriation:		
Education of Priests	3,666,776	3,666,776
Priestly Formation	30,636,839	30,573,408
Sustaining Catholic Presence	4,396,917	4,396,917
Retired Priests Support	942,293	942,293
Other	3,916,405	3,916,405
Total endowments	43,559,230	43,495,799
Total net assets with donor restrictions	$ 160,131,134	$ 146,524,138

Net assets subject to expenditure for specified purpose consist primarily of funds distributed at the discretion of the Bishop for specified mission and ministry matters and endowment assets that are invested with the income available for distributions.

Note 6. Property and Equipment

Property and equipment consist of the following at June 30, 2026:

	2026	2025
Land	$ 1,726,905	$ 1,726,905
Land held for future use	144,886	144,886
Buildings	3,273,095	3,273,095
Furnishings	128,190	128,190
Building improvements	5,270,220	5,270,220
Tenant improvements	1,280,284	1,280,284
Construction in progress	8,281,379	-
	20,104,959	11,823,580
Less: accumulated depreciation	6,239,857	5,788,554
Property and equipment, net of accumulated depreciation	$ 13,865,102	$ 6,035,026
Depreciation expense	$ 451,303	$ 461,216

Note 7. Lease, Royalties, Other Revenues, Endowment and Net Assets Released

The Diocese leases certain land to an unrelated party under a lease agreement through 2093. Minimum annual rentals of $409,007 and $400,988 were received for the years ended June 30, 2026 and 2025, respectively. In accordance with the terms of the lease, the annual rent was recalculated in August 2022. Beginning August 1, 2022, the annual rent will remain $393,126 and will increase on August 1 of each subsequent year by 2% through August 1, 2043, at which time the annual rent will be recalculated based upon the market value of the land. At the termination of the lease, any land improvements and buildings will transfer to the Diocese.

On December 29, 2025, Ninth and Rockwell LLC was formed as a single member nonprofit limited liability company in the State of Ohio. The Catholic Diocese of Cleveland is the sole member. Ninth and Rockwell LLC leases and manages the property and improvements owned by the Diocese located at 1411 East Ninth Street, Cleveland, Ohio and pays a base rent of $120,000 per year. The improvements had previously been leased to a third-party operator under a long-term ground lease through December 31, 2025. Ninth and Rockwell LLC leases space to tenants in storefronts.

Other operating revenues without donor-imposed restrictions include receipts from various Diocesan benefit and insurance plans as a fee for administrative services provided by the CAO to those plans, which totaled $820,970 and $828,311 in 2026 and 2025, respectively, as well as contributions and advertising revenue related to the Diocesan magazine which totaled $270,288 and $174,575 in 2026 and 2025, respectively.

Net assets released consist primarily of endowment earnings used in support of the seminaries, education and care of priests, and various diocesan or parish initiatives.

Note 8. Employee Benefits

Employees of the CAO are covered by the Group Life, Unemployment, Workers' Compensation, and Healthcare plans of the Diocese of Cleveland. The expense recorded to these items was $1,449,938 and $1,455,467 for the years ended June 30, 2026 and 2025, respectively. Employees are participants of the Diocese of Cleveland Pension Plan, the Diocese of Cleveland Priests' Retirement Plan, or the Catholic Charities Defined Contribution Plan. The expense related to these items was $698,815 and $692,438 for the years ended June 30, 2026 and 2025, respectively.

Note 9. Income Taxes

The Diocese is a tax-exempt organization under provisions of Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State Code. Therefore, no provision for income taxes has been made.

Note 10. Financial Assets and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2026	2025
Financial assets		
Cash and cash equivalents	$ 10,424,343	$ 8,026,598
Short term investments	3,329,554	11,051,304
Investments	160,131,135	146,890,124
Accounts receivable, net	3,154,838	2,388,418
Endowment spending-rate distributions and appropriations	4,716,568	4,481,805
Financial assets, at year-end	181,756,438	172,838,249
Net assets with donor restrictions	(160,131,134)	(146,524,138)
	$ 21,625,304	$ 26,314,111

The CAO primarily receives its funding in the form of assessments paid by parishes and schools in the Diocese of Cleveland and investment income from its endowments.

As part of the CAO's liquidity management practices, financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Office invests cash in excess of daily requirements in short-term investments.

Note 11. Schedule of Functional Expenses

The CAO, as more fully described in Note 1, is the administrative arm of the Diocese providing professional support to parishes, schools, and other diocesan entities as well as performing certain ministerial and business functions for the Diocese. The CAO classifies program activities as those diocesan ministerial and business functions which include the Chancery and Communications Office, Office of Catholic Education, Clergy and Religious Office, and Parish Life Office. All other CAO activities are defined as administrative support functions that provide professional services such as finance, legal, human resources, and other items described in Note 1 to parishes, schools, and diocesan entities. While the CAO is periodically the beneficiary of donations, it does not incur direct fundraising expenses. Operating expenses represent personnel, ministry, and general overhead incurred by the CAO in carrying out its activities. Direct subsidies represent payments to other Diocesan organizations in support of their activities.

Note 11. Schedule of Functional Expenses (Continued)

Functional expenses by natural classification at June 30 are as follows:

	2026		
	Program	Administrative	Total Expense
Salaries and wages	$ 6,554,332	$ 4,001,113	$ 10,555,445
Taxes and benefits	1,774,169	1,126,388	2,900,557
Mission, ministry and other	1,098,076	898,246	1,996,322
Priests - education and care	771,739	284,048	1,055,787
Occupancy, utilities and depreciation	775,833	774,089	1,549,922
Professional fees	1,055,000	808,035	1,863,035
Assessments and Holy See	65,367	405,943	471,310
Equipment, maintenance and technology	182,607	285,828	468,435
Administrative	1,454,641	996,899	2,451,540
Total operating expenditures	13,731,764	9,580,589	23,312,353
Direct subsidies	4,569,181	-	4,569,181
Total operating expenditures and direct subsidies	$ 18,300,945	$ 9,580,589	$ 27,881,534

	2025		
	Program	Administrative	Total Expense
Salaries and wages	$ 6,472,130	$ 3,690,041	$ 10,162,171
Taxes and benefits	1,792,406	1,068,036	2,860,442
Mission, ministry and other	1,086,989	502,717	1,589,706
Priests - education and care	767,323	240,301	1,007,624
Occupancy, utilities and depreciation	776,039	644,709	1,420,748
Professional fees	800,443	733,720	1,534,163
Assessments and Holy See	66,073	409,172	475,245
Equipment, maintenance and technology	186,115	111,445	297,560
Administrative	1,615,534	1,556,761	3,172,295
Total operating expenditures	13,563,052	8,956,902	22,519,954
Direct subsidies	5,104,569	-	5,104,569
Total operating expenditures and direct subsidies	$ 18,667,621	$ 8,956,902	$ 27,624,523