

## Report of Chief Financial Officer

Welcome to the Diocese of Cleveland Finance Department website. In a continuing spirit of accountability and transparency, we present financial information across the various entities of the Diocese. This site also contains a message from Bishop Malesic and copies of the various audit reports from our independent auditors, Maloney + Novotny LLC. This report should be read in conjunction with a review of the CAO and other various audited financial statements and financial schedules included on this website. We invite you to visit this site periodically as we will be updating it with current financial information as timing dictates. You will note that some of the Diocesan legal entities have June 30 fiscal year ends, while others report on a calendar year basis.

I want to publicly thank the members of the Diocesan Finance Council for the support they provide to the Bishop and the CAO 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.

## Central Administration Office

The Central Administrative Office (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 resources of the Central Administrative Office come from parish and school assessments, investment income, grants and contributions, and other miscellaneous sources. The CAO does not include the separate operating entities in the Diocese that prepare stand-alone financial statements, specifically the seminaries, cemeteries, Catholic Charities, Diocesan-owned schools, Facilities Services, and the Catholic Community Foundation. Many of these financial statements are also available on the Diocesan website. Lastly, the CAO does not include the operations of any parishes/schools. Parish information is presented locally to its parishioners, and individual parishes have separate legal status making it inappropriate to consolidate their results with the Diocese or with each other.

The CAO Statement of Financial Position consists primarily of cash and investments for use in funding the activities of the CAO as noted above. The net assets are either available for immediate and unrestricted use (primarily the general operating cash of the Diocese) or restricted for either spending on a donor-specified purpose or permanently held as endowments (primarily in support of seminaries and priestly education and care). The Net Assets (\$\$ in millions) at June 30, 2023 and 2022 are:

	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Without restrictions	\$ 25.3	\$ 24.9
With restrictions	\$130.3	\$124.5
<b>Total</b>	<b>\$155.6</b>	<b>\$149.4</b>

The increase in net assets in 2023 was substantially due to positive investment market returns, along with a mild operating surplus.

Offertory collections in our parishes in FY 2023 have generally returned to similar levels as existed prior to the pandemic that began in 2020 and were approximately equal to offertories in FY 2022. The faithful people of the Diocese of Cleveland continue their generosity and support of their parishes and the broader Church. Assessment collections by the CAO were \$15.0 million and \$14.9 million in the years ended June 30, 2023 (FY 2023) and June 30, 2022 (FY 2022), respectively, and are determined by the level of parish offertories and enrollment in parish schools. Contribution income generally represents receipts specifically related to activities managed by the CAO, including training and education of priests, parish support, and evangelization programs, as well as other miscellaneous gifts to the Diocese. Other Revenue includes funds provided by Catholic Charities for services provided by the Diocese (primarily related to management of facilities), grants, estate gifts, lease revenue, magazine advertising revenue and other miscellaneous receipts. Investment market results have been volatile, with significantly declining markets experienced in FY 2022 followed by a relatively strong recovery in FY 2023, as well as increases in interest income in FY 2023 resulting from steadily increasing interest rates. Most investment earnings are recorded as restricted income and are transferred to unrestricted status when restrictions expire and the funds are used in support of appropriate expenses, and are recorded as "Net assets released from restrictions" upon transfer. Net assets transferred to unrestricted status in FY 2023 and FY 2022 were used to support seminary operations, priest education and care, communication programs, parish support, renovations to the Diocesan Cathedral, and other CAO activities.

Expenses in the CAO include personnel and other direct costs incurred to deliver its services; support for the United States and global Church; and subsidies to other Diocesan entities, including the seminaries, Center for Pastoral Leadership, certain Diocesan-owned schools, the Cathedral, Catholic Community Foundation, and Diocese of Cleveland Facilities Services. Total reported expenses in FY 2023 versus FY 2022 (\$26.3 million versus \$22.2 million) were up for the following reasons: general salary and benefits inflation, the transfer of Diocese of Cleveland Facilities personnel from that corporate entity to the newly formed Diocesan Facilities Department during FY 2023, the transfer of the Chaplaincy program from Catholic Charities to the Diocese, a contribution from the Diocese to St. Michael Parish in support of its facilities' renovation (funded by the Ministerial Fund), and a contribution of approximately \$1.6 million from the Diocese to St. John's Cathedral in support of its renovation (funded by the Ministerial Fund). FY 2022 results also include a \$900,000 contribution from the Diocese (funded by the Ministerial Fund) in support of the St. John's Cathedral renovation. The mild surplus from unrestricted operations in FY 2023 and FY 2022 of approximately \$402,800 and \$226,700, respectively, is the result of careful expense management and efforts to keep expenses in line with available resources.

### **Borromeo & St. Mary's Seminaries and the Center for Pastoral Leadership**

The Center for Pastoral Leadership (CPL) is the operating entity for the facility in Wickliffe that houses the seminaries, and also is home for the formation programs for deacons and lay ecclesial ministers, and the Office of Continuing Education and Formation of Ministers. The CPL also manages and leases any excess space in the buildings, generally to non-profit entities.

CPL, Borromeo and St. Mary's are three separate corporations and each one issues its own audited financial statements. The combined operating budget for these entities is approximately \$7 million. Funding is provided through endowment earnings, an annual appeal, allocation of Diocesan assessment receipts, undergraduate and miscellaneous program tuition, and income from the rental of the facilities.

### **Diocesan-owned schools**

The Diocese of Cleveland owns five high schools: Cleveland Central Catholic, Elyria Catholic, Holy Name, Lake Catholic, and Villa Angela-St. Joseph. There are also four Diocesan-owned elementary schools: Metro Catholic, Archbishop Lyke, St. Thomas Aquinas, and St. Francis. These schools are under the supervision of the Diocesan Office of Catholic Education, with advisory boards supporting the school administrators. Each of the schools operates as an individual entity. Each high school has its own audited financial statements, and the elementary schools are subject to periodic review by the Diocesan Internal Audit Department. The Diocese of Cleveland provides varying amounts of operational and capital support to the schools as necessary to support their needs.

### **Catholic Community Foundation**

The Catholic Community Foundation is a non-profit organization established within the Diocese to support the mission of the eight county Diocese, by fostering faith-based stewardship for the spiritual, educational and charitable needs of all. The Foundation raises funds for a number of Diocesan ministries, including Catholic Charities, Borromeo and St. Mary Seminaries, and Catholic Education. Additionally, the Catholic Community Foundation assists parishes with stewardship and fund development efforts such as offertory enhancement, planned giving and major campaigns. The financial results included in the audited statements of activity for the Catholic Community Foundation are predominantly reflective of the annual Catholic Charities appeal. The Foundation, in collaboration with the Diocese, also manages endowments for Catholic Charities, Catholic education tuition assistance, parishes, and Diocesan ministries, and offers various philanthropic funds to donors including Donor Advised Funds, Charitable Gift Annuities and Permanent Named Funds.

### **Catholic Cemeteries**

The Catholic Cemeteries Association of the Diocese of Cleveland (CCA) owns and operates 19 Catholic cemeteries throughout the Diocese of Cleveland and is responsible for the care and maintenance of over 700,000 interments. The cemeteries encompass approximately 1,850 acres of land which includes approximately 900 acres of developed land with over 35 miles of roads and approximately 70 buildings. The CCA is a self-sustaining entity that generates revenues in the ordinary course of its important ministry serving the people of our Diocese. In addition to personnel cost, the CCA's largest expense is related to ongoing cemetery operations, including the care and maintenance of these large properties and existing interments. The cemeteries annual operating budget is approximately \$20 million and it operates as a self-funding unit.

### **Catholic Charities**

Catholic Charities provides and oversees the delivery of health and human services to the people of the Diocese.

Catholic Charities operates activities such as emergency assistance, social action, migration services, disability services, the Lorain St. Joseph shelter, youth athletics and youth & young adult ministry. It also provides residential and behavioral health services through the Matt Talbot programs for men and women, and outpatient chemical dependency locations. Catholic Charities provides family based services, including foster care and adoption, employment, day care and Head Start. It also provides a variety of other services, including the operation of an adult day care center and Camp Christopher in Summit County. Catholic Charities works in collaboration with the Catholic Community Foundation to conduct the annual Catholic Charities Appeal. St. Augustine Manor operates a nursing home and an assisted living facility, and provides end of life services through Holy Family Home and Holy Family Hospice. Finally, the

Rose-Mary Center operates a home for developmentally disabled individuals as well as several community-based group homes.

Combined, the operating budget of Catholic Charities is approximately \$135 million. Monies in support of Catholic Charities are provided through the annual Catholic Charities appeal, as well as government reimbursements and grants, program fees, United Way, investment income, and other contributions and grants.

**Diocese of Cleveland Facilities Services**

Diocese of Cleveland Facilities Services Corporation (DCFSC) provides leadership and expertise in the planning, construction management, construction financing, maintenance and renovation of the buildings in which the charitable activities of Catholic Charities and the Catholic Diocese of Cleveland occur, including parishes and Diocesan schools. During FY 2023 the Corporation re-aligned its ownership under Catholic Charities Corporation.

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

Thank you for your continuing support of our Church.

Sincerely,

James P. Gulick  
Chief Financial Officer