

DIOCESAN FINANCE REPORT

Normal Diocesan activities remained robust in 2010 and 2011. The Diocesan Finance Office revenues and expenses reflect these activities and notably exclude nearly all parish consolidation revenues and expenses (since those are parish monies that do not legally belong to the Diocesan Finance Office). The line entitled "Consolidation Costs" does reflect the expense of parish consolidation incurred by the Diocese.

Diocesan revenues and expenses have been stable over the past five years and have adequately supported the ministry and works of the Diocese.

FINANCE OFFICE

(DOLLARS IN THOUSANDS)

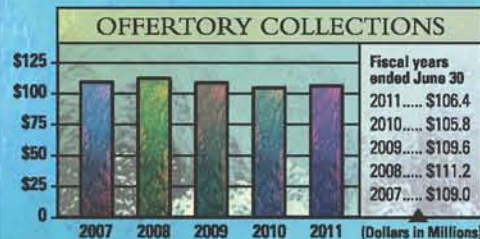
years ended June 30

REVENUE	2011	2010
Parish Assessments	\$13,589	\$13,934
Investment Income (Loss)	\$3,165	\$3,203
Contributions	\$158	\$219
Rent	\$357	\$358
Other	\$412	\$117
Total Revenue »	\$17,681	\$17,831

EXPENSES	2011	2010
Chancery	\$1,600	\$1,606
Clergy & Religious	\$4,928	\$4,888
Education	\$2,712	\$1,686
Catechetical Services	\$875	\$860
Parish Life	\$1,030	\$1,020
Finance & Legal	\$1,618	\$1,665
Administrative	\$1,120	\$1,457
Catholic Comm. Foundation	\$779	\$670
Pastoral	\$612	\$620
Distributions & Other	\$736	\$690
Consolidation Costs	\$1,345	\$763
Total Expenses »	\$17,355	\$15,925

Net revenue before unrealized investment gains	\$326	\$1,906
Unrealized investment gains	\$3,803	\$2,480
Net revenue after unrealized investment gains	\$4,129	\$4,386

Copies of the complete audited financial statements are available at www.dioceseofcleveland.org.



Over the past few years we have experienced very challenging economic times in our geographical region and in the economic markets. Nonetheless, parish offertory has remained relatively stable over that time frame. In 2011, despite the economic challenges, parish offertory increased 0.6% from 2010. Catholics remain generous in supporting their parishes and the many parish ministries.

FINANCE COUNCIL

Chairman: Richard H. Marsh, *Retired CFO, Senior Vice President, First Energy Corp*

Angela G. Carlin, *Attorney at Law, Weston Hurd, LLP*

Maria Coyne, *Executive Vice President, Key Bank*

Donald J. Dailey, *CPA, Retired Managing Partner, PriceWaterhouseCoopers, LLP*

Karen R. Kleinhenz, *Principal, Kleinhenz & Associates, Ltd.*

Anthony F. Lang, *CPA, Retired Partner, Hausser + Taylor, LLC*

Michael J. Meehan, *General Counsel, Cleveland Clinic Regional Hospitals*

Janet L. Miller, *Chief Legal Officer, University Hospitals Health System*

Patrick J. McMahon, *CPA, President and CEO, McMahon and Associates, LLC*

Dominic L. Ozanne, *President and CEO, Ozanne Construction Company*

Thomas P. Perciak, *Mayor, City of Strongsville, Ohio*

William J. Reidy, *CPA, Retired Partner, PriceWaterhouseCoopers, LLP*

Thomas A. Richlovsky, *Retired Executive Vice President, PNC Financial Services*

COMMUNITY STATISTICS

SIZE

23rd largest Diocese in the United States

FOUNDED

April 23, 1847

AREA

3,141 sq. miles including eight counties: Ashland, Cuyahoga, Geauga, Lake, Lorain, Medina, Summit and Wayne

CATHEDRAL

Cathedral of St. John the Evangelist, est. 1848

174 PARISHES 710,351 CATHOLIC POPULATION

SCHOOLS

105 Elementary

21 Secondary

60 Preschools

14 Head Start

total enrollment | 46,903

SACRAMENTS

6,582 Infant/Child Baptisms

8,461 First Communions

968 Rite of Christian Initiation of Adults

7,661 Confirmations

2,357 Marriages

CATHOLIC CHARITIES

330,006 People served

3,278,734 Meals

61,082 Nights of shelter



CATHOLIC DIOCESE
of CLEVELAND

REPORT TO THE COMMUNITY
— OF NORTHEAST OHIO —

2011

My Dear Brothers and Sisters in Christ,

Blessings upon all of you, the faithful in the Diocese of Cleveland. This is the eighth consecutive year for publication of the Diocesan Report to the Community.

I believe you will find this report of particular interest, as it contains an accounting to date of the disposition of properties associated with the closing and merging of parishes. This portion of the report discloses the results of two important commitments made when reconfiguration began. First, as the Diocese planned, the closed buildings are being used, to the extent possible, for the general benefit of the community. Secondly, monies obtained through sales of parish property are being used to pay outstanding liabilities of the closed or merged parishes, with the remaining being allocated across the Diocese in accordance with Canon (Church) Law.

Although it was difficult to say goodbye to some beloved parishes, the end result is a more vibrant community of Catholics in Northeast Ohio.

The report also reflects the goodness and support of the thousands of Catholics in our Northeast Ohio communities. While these continue to be difficult economic times, the generosity of so many has allowed our Catholic Church to continue to respond to the Gospel call to serve our neighbors.

I am sincerely grateful for your continued love, care and support for the Church. You remain in my prayers every day. May God bless you.

Sincerely yours in Christ,

+ Richard Lennon
Bishop of Cleveland

Financial Misconduct Hotline 1.888.235.1723

The Catholic Diocese of Cleveland sponsors a Diocesan Financial Misconduct Hotline. During the fiscal year ended June 30, 2011 two 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.



QUESTIONS? COMMENTS?

Contact James P. Gulick at: Catholic Diocese of Cleveland
1404 East Ninth Street, 8th Floor, Cleveland, Ohio 44114

1.800.869.6525, ext. 5960 | financeoffice@dioceseofcleveland.org

To read the complete Financial Report, as well as our audited financial statements, visit www.dioceseofcleveland.org.

For the latest Catholic Diocese of Cleveland news, follow us on Twitter and "like" us on Facebook.

@dioceseofcleve

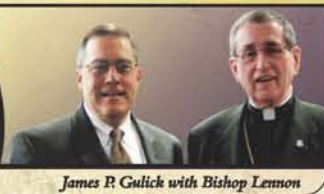
facebook.com/dioceseofcleveland

Bishop Lennon blesses the front doors of Our Lady of Lourdes Church in Cleveland's Slavic Village neighborhood. The doors previously served as the entrance to St. Catherine Church in Cleveland.

REPORT OF CHIEF FINANCIAL OFFICER



“those who
have been
given
a trust
must prove
faithful.”
— 1 Corinthians 4:2



James P. Gulick with Bishop Lennon

everyone at the Diocesan Offices to be open with the community. The Catholic Diocese of Cleveland has addressed difficult challenges these past few years. As you review the information in this report and on our website, you will see evidence of the vibrancy that's well underway.

While our primary objective is to build strong parishes and a strong Catholic community, it is also important to us to be good neighbors, both in the places that we currently serve and in those places that were closed. The closed facilities are being sold to parties that will be significant assets to their communities. While there are several more closed parishes to address, we are confident that we will continue to be able to sell them to buyers who

I am pleased to have this opportunity to share with you our report on the status of parish consolidation activities. It is important to

will invest in and enhance the neighborhoods.

As a result of the sales that have occurred, the Diocese has been able to substantially retire the related closed parish debts and pay their operating expenses. The most critical point, however, is that the remaining closed parishes' monies, generated primarily from the sales of their property, are being distributed to parishes. Canon Law governs that the monies of closed parishes remain in use at the parish level in support of parish ministry, works and needs. The distribution of assets is having a significant effect in stabilizing the physical and financial condition of so many parishes that are receiving funds.

I invite you to visit www.dioceseofcleveland.org and review the information presented there. We address

many questions that we believe are on the minds of Catholics regarding the parish consolidation process.

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

Sincerely,
James P. Gulick
Chief Financial Officer

SS. ROBERT & WILLIAM – EUCLID

► NEW PARISH

The parishioners of Ss. Robert & William parish have more than just a sense of community; they have truly created their own.

In 2010, St. Robert Bellarmine parish and St. William parish merged, forming what is now a thriving parish in Euclid.

Father John Betters, Pastor, has made it his mission to further this new community of Catholics. One goal he and fellow parishioners accomplished was the three-day Parish Festival held this past August. Combining the festivals of both former parishes was quite a task, but the results were impressive, as the festival drew huge crowds each day.

“There is a nice mix of people here. It's a great community of Catholics who are strong and committed to their Church,” Betters said.

The parish is also working with the City of Euclid to support Together in Euclid (T.I.E.), a program that organizes and promotes activities for children and teens.

For additional information about
Ss. Robert & William Parish,
visit www.srweuclid.cc.

ST. HEDWIG – AKRON

► ORIANA HOUSE

St. Hedwig Church in Akron will always be a place of hope and healing. Even though St. Hedwig's final Mass was celebrated in 2009, those who now walk through the church doors leave as better people, as did former parishioners for years.

The church was purchased by Oriana House, a nonprofit community corrections and chemical dependency treatment agency. Oriana House now operates its career preparation program, chemical dependency treatment program and reentry court and family violence court out of former St. Hedwig church properties, including the church itself.

Oriana House, which was established in 1981, seeks to rehabilitate those struggling with chemical abuse or dependency and to provide humane corrections programs to offenders. Since its inception, Oriana House has become a nationally renowned nonprofit organization, helping many people and improving the community as a whole.

For additional information about Oriana House,
visit www.orianahouse.org.



See these
new parishes
& organizations
in action!

Visit www.dioceseofcleveland.org
to watch videos about the
great things happening around
the community.

Videos were produced by
students at Lake Catholic
and Archbishop Hoban
high schools.

CASH FLOW

Below is a summary of receipts and disbursements of closed parishes' cash held in Diocesan custody.

\$19.5 million SOURCES OF CASH

\$10.1 million – transferred to Diocesan custody from parishes at the date of closing

\$7.6 million – netted from sales of parish property

\$1.8 million – misc. cash flow, including sales of religious items, rental income at some properties and collections on notes related to sales of closed parish properties

\$4.9 million EXPENSES

\$0.6 million – repayment of debts of closed parishes

\$0.8 million – payment of past due assessments and benefits and insurance premiums, and premiums for retiree priest healthcare

\$3.5 million – operating expenses (to date, operating expenses at closed parishes total \$6.7 million – the Diocese has funded the remaining \$3.2 million)

\$7.8 million CASH DISTRIBUTIONS

“The money follows the people.”
\$6.1 million – distributed to open parishes within the Diocese

\$1.3 million – contributed to Parish Assistance Fund, a restricted fund whose sole purpose is to provide monies to parishes suffering from financial hardship

\$0.4 million – contributed to charitable causes within the Diocese

\$6.8 million REMAINING BALANCE

\$6.8 million – held in custody by the Diocese to be used to support parish properties still held for sale. Upon sale, monies will be used to cover remaining parish obligations and will then be distributed to open parishes, as well as the Parish Assistance Fund.

MYTH vs. FACT

There have been many incorrect reports and assumptions about the Diocesan reconfiguration process. We want to dispel the myths and provide you with the facts.

MYTH |

Cleveland is the only Diocese closing parishes.

FACT |

The Catholic Church in the United States has gone through a profound change in the past decade. Through a combination of closings and mergers, the number of parishes in the U.S. has dropped from 19,000 parishes in 2000 to 17,800 in 2010, according to Georgetown University research. The downsizing occurred in many dioceses in the Midwest, including Detroit, Buffalo, Youngstown, and Toledo.

MYTH |

Closing parishes was about making money.

FACT |

The closing of the parishes was necessitated by numerous factors. The Catholic population in Northeast Ohio has shifted throughout the region, which has resulted in a significant reduction in the number of sacraments being administered and in low attendance at Mass in many communities. To properly serve the faithful with the limited and declining number of priests it was necessary to reduce the number of parishes and ensure that all Church resources were applied where the people live and worship. Financially, more than one-third of the parishes in the Diocese were operating at a significant deficit and many parishes faced serious repair and maintenance issues and did not have the resources to address them.

MYTH |

The Diocese receives the assets when a parish is closed.

FACT |

When parishes merged or territory was reassigned, all assets and liabilities were immediately and directly transferred to the new parish. The Finance Office only acted as the custodian for the assets of the closed parishes, facilitating payments related to closure costs and operating expenses while the parish property was held for sale. Upon sale of the properties, the cash was used for the payment of remaining operating expenses and settlement of outstanding debts, and was then disbursed to either the parish where large numbers of closed parishes' former parishioners subsequently registered or to the Parish Assistance Fund (a restricted fund created for the benefit of all parishes experiencing financial distress).

For additional answers, check out the Frequently Asked Questions at www.dioceseofcleveland.org.

PARISHES SOLD & BUYER'S PURPOSE

Annunciation, Cleveland..... Charter school
Assumption of Mary, Brook Park..... Charter school
Blessed Sacrament, Cleveland..... Urban ministry center
Christ the King, East Cleveland..... Other-denominational church
Corpus Christi, Cleveland..... Charter school, priest residence
Epiphany, Cleveland..... Charity and child day care
Holy Cross, Elyria..... Other-denominational church

Holy Trinity, Barberton..... Other-denominational church
Our Lady of Mount Carmel Oratory, Cleveland..... Other-denominational church
Sacred Heart of Jesus, Akron..... Other-denominational church
Sacred Heart of Jesus, Cleveland..... Charter school
Sacred Heart of Jesus, Elyria..... Other-denominational church
St. Cecilia, Cleveland..... Other-denominational church

St. George, Cleveland..... Urban farming venture
St. Hedwig, Akron..... Ministry center - chemical dependency
St. Hedwig, Lakewood..... Museum of Divine Statues, business
St. Hyacinth, Cleveland..... Other-denominational church
St. Ladislaus, Lorain..... Ministry - student tutoring & adult ed.
St. Louis, Cleveland Heights..... Other-denominational church
St. Margaret of Hungary, Orange..... Local municipality

St. Procop, Cleveland..... Charter school
St. Robert, Euclid..... Local municipality
St. Rose, Cleveland..... Charter school
Ss. Cyril & Methodius, Barberton..... Other-denominational church
Ss. Cyril & Methodius, Lorain..... Other-denominational church
Ss. Philip & James, Cleveland..... Charter school

