



Українська Католицька Єпархія св. Свщм. Йосафата у Пармі

Ukrainian Catholic Diocese of St. Josaphat in Parma

5720 State Road • P.O. Box 347180 • Parma, Ohio 44134-7180

June 30, 2016

Dear Brothers and Sisters in Christ:

This letter highlights several items in the Eparchy's 2015 Audited Financial Statements to help you understand them. The Financial Statements consist of five parts:

- (1) *Auditor's Letter*. This is the letter from the accounting firm, Simic C.P.A. & Co., which audits the Eparchy. The letter states that the firm has reviewed the Eparchy's finances and that the financial statements accurately present the Eparchy's financial state.
- (2) *Statement of Financial Position*. This statement, which is sometimes referred to as the "Balance Sheet", is a "snapshot in time" that shows the Eparchy's assets and liabilities as of December 31, 2015. Assets are towards the top; Liabilities are under them.
- (3) *Statement of Activities*. This page shows the revenue (also called income) and expenses for the Eparchy during the year 2015.
- (4) *Statement of Cash Flows*. This page shows the cash that flowed into and out of the Eparchy's accounts in 2015.
- (5) *Notes to Financial Statements*. These are the "footnotes" that explain certain accounting policies and items in the financial statements.

Statement of Financial Position

1. Assets. The Statement of Financial Position shows Total Assets of \$1,202,582, but the vast majority of this (\$1,032,731) consists of the Retirement Fund for Priests ("Retirement Fund") and is not available to be used for other things. That leaves remaining assets of \$169,851. This is about the same as last year. **It is a very small amount for a Catholic diocese.**
 - ✓ Parish Assets Not Included in Eparchy's Assets. The assets of individual parishes are **not** included in the listing of the Eparchy's assets. This is because parish assets are not at the Eparchy's wanton disposal – that is, the Eparchy cannot "do whatever it wants" with the assets owned by the parishes.

2. Liabilities. There are three basic types of Liabilities: Accounts Payable (amounts immediately due), Short-Term Liabilities (obligations which need to be paid within a short period of time, typically one year) and Long-Term Liabilities (obligations which typically do not need to be paid for at least one year). There are several positive developments in this area in 2015:
 - ✓ Accounts Payable and Short-Term Liabilities. It is a basic principle of financial security for any enterprise that Accounts Payable and Short-Term Liabilities must be less than the Assets that consist of Cash and Cash Equivalents, so that the enterprise can pay its debts as they come due. Just a few years ago, the Eparchy had hundreds of thousands of dollars of Accounts Payable and Short-Term Liabilities and almost no cash. That has been totally rectified in recent years. The Eparchy paid its Accounts Payable and last remaining Short-Term Liability from the past in 2015 (a bill to St. Luke Institute) and had no Accounts Payable or Short-Term Liabilities as of December 31, 2015. This is a tremendous improvement from just a few years ago.
 - ✓ Long-Term Liabilities. The Eparchy's Long-Term Liabilities decreased from \$1,509,536 at the end of 2014 to \$1,384,271 as of the end of 2015. The largest liability is the Retirement Obligations to Priests (the Priest Retirement Fund) which amounted to \$1,032,731. This particular obligation is always equal to the Retirement Fund for Priests in the list of Assets (that asset is listed as having a value of \$1,032,731). The other Long-Term Liabilities consisted of a loan from the Retirement Fund for Priests (also referred to as the "Sacerdotal Society") to the Eparchy in the amount of \$83,140, loans from two parishes to the Eparchy (McKees Rocks and Carnegie) totaling \$75,000, and a 5-year, 0% interest loan from the Stamford Eparchy of \$193,400. The loan from Cleveland Selfreliance Federal Credit Union which had been \$238,609 as of the end of 2014 was paid off in full in 2015. I am happy to report that the Eparchy's debt to the Sacerdotal Society was paid in full last month, and the debt to the Stamford Eparchy is expected to be repaid very soon. This is all great progress.

Total Liabilities decreased by \$175,781 from a year ago (from \$1,560,052 to \$1,384,271).

Statement of Activities

1. Revenues – Donations for Others (\$24,952 in 2015; \$24,000 in 2014). The Donations for Others category consists of donations to benefit institutions located outside of the Eparchy. Almost all of these are in Ukraine. The 2014 figure includes grants only and does not include individual donations; the 2015 figure includes both grants and individual donations thanks to an upgrade in our accounting system in 2015.

2. Revenues – Donations from Private Donors (\$56,885 in 2015; \$24,251 in 2014). The Donations from Private Donors consists of revenue from mailed appeals for donations and other donations during the year. There were two general appeals in 2015 sent to about 4,000 people: one in April distributed through the parishes, and one in December mailed directly to people. There was also a smaller mailing to 400 households in September. Despite the increase in giving by private donors in 2015, the response rate to the general mailing appeals remains a disappointingly low 3%.
3. Revenues – Dues and Donations from Affiliated Parishes (\$540,235 in 2015; \$561,600 in 2014). The Dues and Donations from Affiliated Parishes are amounts paid by parishes to cover the cost of insurance for those parishes, and a small amount of support for the Eparchy. This amount remained steady from 2014 to 2015, decreasing by about 4%.
4. Revenues – Grants (\$439,224 in 2015; \$291,861 in 2014). The amount received by the Eparchy in grants increased by 50% in 2015, mainly due to the timing of when the grants were paid: there was a “lumping” of grant payments in 2015. Some grants increased from the previous year, such as from Catholic Home Missions (\$145,000 in 2014; \$150,000 in 2015). This revenue category is expected to decrease in 2016 due to this timing issue.
5. Revenues – Special Events (\$0 in 2015; \$32,963 in 2014). The revenue from Special Events in 2014 consisted of gifts made on the occasion of the consecration of Bohdan Danylo as Bishop for the Eparchy in November, 2014. There were no comparable events in 2015.
6. Expenses – Relating to Current Bishop and Retired Bishop. Per Canon Law, every diocese has an obligation to support its current Bishop and retired Bishops. The expense items relating to the current bishop and the retired bishop are as follows: “Bishop’s Residence Expenses” (\$11,154) and Compensation and Benefits – Retired Bishop (\$24,465). Also, the current bishop’s compensation is included in the category “Compensation and Benefits – Chancery” (\$34,075). (That category includes compensation for another individual as well.) The expenses in these categories remained steady from last year.
7. Expenses – Clergy Conference, Retreats and Cantors (\$23,047 in 2015; \$16,320 in 2014). There are usually two retreats or conferences per year for the clergy. These are important times for the priests of our Eparchy to learn, focus on their spirituality and become better priests. Because of the long distances between many parishes in the Eparchy, it is also one of the few times of the year that some of our priests see other Ukrainian Catholic priests. The increase in this expense from 2014 was caused by one of the conferences being held outside the Eparchy (in Chicago, in conjunction with the priests from the three other Ukrainian Catholic eparchies in the United States) which caused larger travel costs.

Some of this cost was offset by payments of the retreat expenses by parishes, which is included in the revenue category “Dues and Donations from Affiliated Parishes” above. Also, two grants obtained by the Stewardship Office paid about 33% of this expense in 2015.

8. Expenses – Compensation and Benefits – PMO (\$35,257 in 2015). The PMO is the Pastoral Ministry Office, a ministry of the Eparchy dedicated to pastoral care for individuals. It also assists in catechesis and the production of educational material.
9. Expenses Compensation and Benefits – Chancery (\$34,075 in 2015). This category includes the compensation for two people working in the Eparchy’s office (the Chancery), one of whom is the current Bishop. Other expenses related to operating the Chancery were “Office Supplies, Postage, Fees and Equipment” (\$37,461 in 2015); and “Utilities and Phone” (\$1,925 in 2015). Every diocese in America has these kinds of costs, but our costs are amongst the lowest of any diocese in America. Grants obtained by the Stewardship Office from Catholic Home Missions and Catholic Extension Society paid all of these expenses in 2015.
10. Expenses –Donations to Others (\$28,023 in 2015; \$57,329 in 2014). This category includes two basic things: a) donations that the Eparchy passed to institutions abroad from donors in the Eparchy, and b) grants that the Eparchy helped Ukrainian Catholic institutions abroad to receive. Most of the decrease in this figure was due to the fact that people made large donations for the Maidan in 2014 which were not replicated in 2015. The 2015 figure includes a grant of \$10,000 to the Ukrainian Catholic Eparchy of Saint Volodymyr the Great in France from an American foundation for which the Eparchy served as the fiscal agent.
11. Expenses – Dues and Assessments (\$20,270 in 2015; \$31,642 in 2014). These are mandatory dues that the Eparchy is obligated to pay to the Patriarchal Curia of the Ukrainian Catholic Church (\$14,000 a year or more) and to the United States Conference of Catholic Bishops. The decrease in this expense in 2015 resulted from the Eparchy paying some past due balances in this category in 2014. The Eparchy is completely caught up on these payments now.
12. Expenses – Health Insurance and Medical Expenses (\$163,977 in 2015; \$153,787 in 2014). Much of this expense is paid from the dues paid by individual parishes. The increase in this cost was caused by the increase in health insurance rates in 2015.
13. Expenses – Insurance – Property (\$310,241 in 2015; \$310,199 in 2014). The property insurance premiums, the Eparchy’s largest expense, are paid mostly by parishes. This is, in effect, a tax upon the parishes, and a heavy one at that. The Eparchy requested lower property insurance premiums from its current carrier (Catholic Mutual) for several years but the premiums continued to rise. Thanks to the assistance of an outside consultant,

Keith Dobrolinsky of Assurance Agency Ltd in Schaumburg, IL, the cost in the category flattened out in 2015 and is expected to drop by about \$40,000 in 2016. Some of this savings will be passed onto the parishes immediately; the remainder may be kept in a fund to help keep future insurance premiums low.

14. Expenses – Interest Expense (\$3,890 in 2015; \$3,609 in 2014). This was interest on debt owed by the Eparchy. This is a very small figure compared to most dioceses and other enterprises, and is expected to decrease in 2016 with the payment of the Eparchy's remaining debts this year.
15. Expenses – Mission Support (\$0 in 2015; \$15,000 in 2014). The Eparchy provided direct financial assistance to sustain several missions (new parishes) in 2014. It is important to help these faith communities in their infancy so that they grow to become strong parishes in the future and serve the faithful well. Due to a timing issue, there were no direct payments to missions in 2015. These should resume in 2016.
16. Expenses – Priest Support (\$37,996 in 2015; \$8,690 in 2014). The large increase in this expense category was caused by the Eparchy's support of two priests on leave during 2015. The Eparchy has an obligation under Canon Law, or the Bishop deemed it a moral obligation or in the Eparchy's best interest, to support these priests. This expense category also includes Liturgy stipends provided to priests thanks to grants obtained by the Eparchy's Stewardship Office from Catholic Extension Society which are restricted for this purpose.
17. Expenses – Professional Fees (\$12,626 in 2015; \$0 in 2014). This category consists almost entirely of expenses paid relating to helping priests in the Eparchy obtain or maintain religious workers' visas allowing them to serve in the Eparchy. The Bishop deemed it a moral obligation or in the Eparchy's best interest to pay these expenses and thereby assist these priests and the parishes they serve in this way.
18. Expenses – Seminary Books, Supplies and Miscellaneous (\$29,877 in 2015; \$37,069 in 2014); and Seminary Tuition (\$0 in 2015; \$13,386 in 2014). The combined expenses for "Seminary Books, Supplies and Miscellaneous" and "Seminary Tuition" decreased to \$29,877 in 2015 from \$50,455 in 2014. Much of this decrease was a result of not paying any seminary tuition bills in 2015. The Eparchy has several men who finished their seminary studies a few years ago and are on the path to the priesthood, working for the Eparchy or parishes. The expenses in this category in 2015 resulted from supporting these men. Two new priests were ordained for the Eparchy in 2015, and one is scheduled to be ordained in 2016.
19. Expenses – Special Events (\$0 in 2015; \$29,724 in 2014). These were expenses the Eparchy incurred in 2014 in conjunction with the consecration of Bishop Bohdan Danylo as the Eparchy's Bishop on November 4, 2014. Generous members of the faithful,

parishes and foundations made special gifts to the Eparchy of \$32,963 in 2014 to cover all of the expenses of this joyous occasion. (This is listed above under Revenue – Special Events for 2014.) There were no similar Special Events in 2015.

20. Expenses – Stewardship Expenses (\$80,622 in 2015; \$67,425 in 2014). The bulk of the Stewardship Expenses consisted of postage and printing for mailings, travel expenses, and payments to the Stewardship Director and his assistant. All of the Stewardship Office’s expenses were paid for by generous grants by Catholic Extension Society and the US Conference of Catholic Bishops Office of Home Missions (also known as “Catholic Home Missions”). Support from Catholic Extension and Catholic Home Missions for the Stewardship Office has helped produce a tremendous inflow of revenues to the Eparchy since the Office’s creation in December 2011, which helped reverse the Eparchy’s financial decline and retire its debt. The Stewardship Office produced revenues of over \$400,000 in 2015.
21. Expenses – Travel and Meetings (\$22,195 in 2015; \$13,975 in 2014). These are expenses incurred by the Bishop to visit parishes in the Eparchy, and to attend mandatory meetings of the Ukrainian Catholic Synod of Bishops (held in Ukraine) and the United States Conference of Catholic Bishops. The increase in this category in 2015 was largely due to a busier travel schedule for the Bishop in 2015.
22. Expenses – Widow’s Support (\$6,894 in 2015; \$8,491 in 2014). This is a charitable expense of the Eparchy that has existed since 2004.
23. Expenses – Youth Ministry (\$10,430 in 2015; \$0 in 2014). This is support for the one of the Eparchy’s most important ministries. The \$0 figure in 2014 was due to a timing issue: two grants obtained by the Eparchy’s Stewardship Office in late 2014 to support the Eparchy’s Youth Ministry Office were not paid until 2015.
24. Other Expenses – Accrued Interest and Real Estate Taxes (\$11,832 in 2015; \$3,698 in 2014). The increase in this category in 2015 was caused by an increase in tax rates and other minor factors.

Statement of Cash Flows

The Statement of Cash Flows shows that Cash decreased by \$6,994 in 2015 (by comparison, it decreased by \$8,684 in 2014). The most important takeaway from this is that there is adequate cash on hand to pay the Eparchy’s Short-Term Liabilities.

Closing

These Financial Statements accurately reflect the Eparchy's financial state, and were audited by the outside accounting firm of Simic C.P.A. & Co.. This audit (which has taken place since 2011), and the publication of these Financial Statements, fulfills the Eparchy's goal of transparency in its finances. The Eparchy is committed to continuing this level of transparency in future years so that the it can continue to be accountable to the people it serves and who make its work possible.

May God bless the Eparchy of Saint Josaphat in Parma and its faithful priests and people!

Sincerely yours in Christ,

A handwritten signature in cursive script that reads "Fr. Steven M. Paliwoda".

Very Reverend Canon Steven Paliwoda
Eparchial Financial Officer

[Note: Section 8 on page 4 was revised on July 7, 2016 to add the final sentence describing the PMO's work in more detail.]