



OFFICE OF THE BISHOP

DIOCESE OF WHEELING-CHARLESTON

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February 5, 2021

Dear faithful of the Wheeling-Charleston Diocese,

I am pleased to present to you a report on the independent audit of the Diocese's financial status for fiscal 2020 (July 1, 2019-June 30, 2020). The full report can be found online at dwc.org.

The 2019-2020 fiscal year reminds me of the rollercoaster rides I took as a youth: lots of ups and downs. I was installed as the ninth Bishop of Wheeling-Charleston on August 22, 2019 in a cathedral full of the faithful. By March, 2020, we had to suspend public Masses throughout the Diocese because of the Coronavirus pandemic. We re-opened our parishes for Masses again in late May, 2020, but with a variety of protective measures that restricted attendance but allowed those who could come to worship safely. The pandemic drastically affected diocesan revenue, as it did that of parishes, but Catholic Charities West Virginia never stopped, helping record numbers of suddenly unemployed and distressed persons and families. I was charged by the Holy See in Rome to assist Bishop Michael Bransfield in making amends for his wrongful behavior; in July, 2020, the Holy See informed him and us of the amends it considered acceptable in this difficult matter. A year-long rollercoaster ride indeed!

Looking more closely at diocesan finances, the early months of the COVID-19 pandemic resulted in large losses in the Diocese's stock portfolio (the stock market is also a rollercoaster!) and in its mineral revenue as oil prices fell. Most dioceses depend on the parishes to support diocesan operations but in West Virginia the financial support given by parishes to the Diocese (called the cathedraicum) is relatively minor. Even that funding has dropped considerably during the pandemic. The three Pastoral Centers (St. John XXIII in Charleston, Mary, Help of Christians, in Huttonsville, and Priestfield in Kearneysville) had to be shut down and the income from them disappeared. Meanwhile, struggling parishes and schools looked to the Diocese for help.

In response to this financially perilous situation, the Diocese tightened its belt by combining some departments, reducing staff by attrition and offering early retirement to eligible employees and by permanently closing two of the Pastoral Centers (only Charleston remains open). We also restructured our health insurance plan to lessen its cost to the Diocese and to make it more accessible to parish, school and other Church employees. That new plan, however, only took effect in January, 2021.

Learning that religious organizations were eligible for the federal government's Payroll Protection Program, the Diocese applied for that relief and received it, not only for diocesan operations but for most of its parishes and schools. There was no reason for our Church employees, who pay taxes, to lose their jobs and possibly their homes when the government was making funds available precisely to keep people at work.

In contrast, now that diocesan revenues have rebounded somewhat, mainly owing to more favorable stock earnings, and with some of our cost-cutting measures taking effect, I believe the Diocese need not apply for PPP assistance under the latest federal relief bill. Some parishes, schools and Catholic Charities do need that help, however, and the Diocese will help those who qualify apply for it.

Another source of income for the Diocese, its parishes and allied programs is the annual Catholic Sharing Appeal. It was set to launch in March, 2020, when the pandemic hit. To help soften the financial blow that hit many parishes and schools at the start of the pandemic, I suspended the CSA and had the Diocese pay for the initial protective and sanitization supplies needed to safely re-open our facilities later in the year. Revenue from the CSA is shared by the Diocese and the parishes, with the parishes' share coming largely in the first half of the fiscal year and the Diocese's share coming mostly in the last quarter of the fiscal year. That means that the parishes got their share of

the 2019 CSA but the Diocese lost its share of the 2020 CSA, owing to its suspension. Without 2020 CSA revenue, the Diocese could not give an additional CSA-related gift of \$200,000 to Catholic Charities. Catholic Charities did receive help from the PPP, which mitigated the loss. The Diocese also sponsored a Giving Tuesday event in early December, 2020, that raised \$1,244,435, most of it for our parishes in accord with donors' instructions.

Wheeling University (formerly Wheeling Jesuit U.) is the only residential Catholic institution of higher learning in West Virginia. Its land and buildings are owned by the Diocese. It is important that we maintain and strengthen it to serve our Catholic people. Under its new leadership, enrollment has improved, course offerings have increased and physical plant issues have been addressed, but owing to unsettled conditions inherited from the former University administration, it still needs financial assistance from the Diocese, as a public university needs financial support from the state. Archbishop Lori, as the Apostolic Administrator of the Diocese, made \$2,000,000 available to the school for fiscal 2020; having consulted the Diocesan Finance Council, I promised the University an additional \$5,000,000 over five years in unequal installments. Apparently a "promise to give" must be reported as a liability in the full amount in the fiscal year in which it is made. But I assure you the amount given to the University in fiscal 2020 was \$2,000,000.

During fiscal 2020, we were still dealing with the effect of the scandal surrounding the former Bishop. As the audit reports, The Bishop's Fund was dissolved and its remaining assets given to the Diocese, which used them to purchase Wheeling Hospital's interest in Diocesan Real Estate, thus formally separating the two entities. The Diocese sold the former Bishop's residence for \$1,200,000 and cancelled the lease on his retirement home in Wheeling (the Holy See had told him not to live in this Diocese in retirement). In addition, along with stipulating that the Bishop accept a much-reduced retirement package, the Holy See ordered him to pay back \$441,000 of the diocesan funds he had used for personal expenses. That payment and the proceeds from the sale of the residence were put in a restricted fund for victims of sexual abuse and harassment (listed in the audit as "Designated - Victims Outreach" under "Net Assets"). Money cannot heal emotional and religious wounds, however, so we must keep praying and reaching out to victims and others affected by sexual harassment and abuse.

Building on Archbishop Lori's promise for greater transparency, I want you to know how the funds at the Diocese's disposal are being used. Look over the numbers and graphs and the FAQs. I hope those materials and this letter create a clear picture for you.

Whether directly or indirectly, diocesan income supports the mission of the Church: to proclaim Jesus Christ and his Good News of salvation to all who are willing to listen. If we were as poor as some dioceses in the world, we could still proclaim that Gospel and its Lord; but having some financial resources enables us to do so with teachers and priests whom we financially support, in buildings which we put up and maintain, while running programs such as youth retreats and community pantries that we subsidize. Money is not the root of all evils: the love of money is (I Timothy 6:10). In love we will seek to use the financial resources we have in order to do good to God's people and others who cross our paths.

May God bless and enrich with His grace you and your loved ones!

Sincerely in Christ,

Mark E. Brennan

+Mark E. Brennan
Bishop of Wheeling-Charleston

PARISH ASSESSMENTS

5 Things You Should Know

What exactly happens to the money you donate at your parish on Sunday?

Where does the money go?

How is it spent?

Here are five important things you should know about the Diocesan Assessment and what it means at your parish.

THE NUMBERS

1

91 cents of every dollar (or more in many instances) stays right in your parish. The Diocese does, however, assess some collections in the parish.

6% of the Diocesan Assessment is used to fund the Priest Health and Retirement Fund (PHRA). This money does not come to the Diocese but rather is allocated to a separate entity. It is used to support our priests as they age and leave active ministry and enter retirement.

3% of the assessable income is Cathedraticum. This is what is used to provide operational support for the Diocese. The assessment in our Diocese is one of the lowest in the country. What we receive in assessments that the Diocese collects is not alone sufficient to sustain Diocesan operations. The 3 percent is returned to parishes in need, such as mission parishes or parishes that have difficulty covering parish operations through their collections. The assessment is also used to support Catholic Charities West Virginia and Catholic Education.

DEDUCTIONS

2

Just like with taxes, there are deductions referenced above. Under the current structure, parishes are able to maximize their offertory income by taking advantage of the following deductions:

- The first \$100,000 of offertory and memorial contributions are exempt from the 3% and 6% assessments.

YOUR OFFERTORY DONATION

3% - Cathedraticum

"Amount of parish funds assessed annually by the Diocese."

6% - Priest Retirement Fund

"Non-Diocesan Held"

91% - Stays with Parish



- The first \$150,000 of parish support given to the school is deducted from assessable income.
- The first \$50,000 of parish support given to a Catholic high school is deducted from assessable income.
- The first \$100,000 of total bequests received in a calendar year are exempt.
- The first \$750,000 of principal and interest paid on a DWC or bank loan is deducted from assessable income.
- Approved capital campaign donations are exempt from assessment.

These deductions are a great benefit to parishes as they reduce the amount parishes are assessed and increase the resources available for parish needs.

HOW IT IS SPENT

3

Cathedraticum is given right back to parishes. Currently, only about 75% of parishes across the Diocese are able to pay Cathedraticum. As noted in the recently released audit report, the Diocese collected \$306,188 in Cathedraticum for the Fiscal Year ending June 30, 2020. The receipts from cathedraticum combined with Diocesan Funds subsidized parishes and schools at an expense of \$5,921,362. None of the Cathedraticum collected by the Diocese is used to fund Chancery operations. Cathedraticum is also not used to pay legal fees or settlements.

2ND COLLECTIONS

4

Second collections are not assessed. These funds are collected for specific agencies outside the Diocese and the parish. Unless conducted by the parish for debt reduction, building funds, etc., the second collection is strictly a pass through the funds are not retained by the parish or the Diocese, but forwarded to the appropriate agency.

SCHOOLS

5

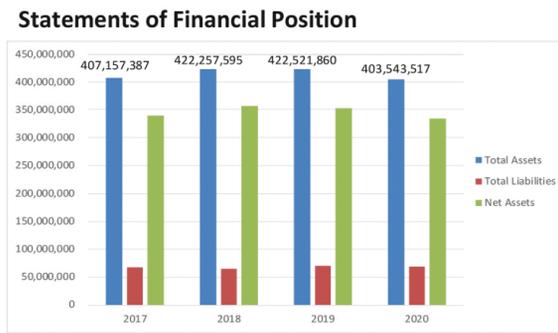
School funds and fundraisers are NOT assessed by the Diocese. Tuition payments, donations to schools and school fundraising revenues are not assessed by the Diocese in any form. Any Catholic Schools donation goes directly to the school and is used solely by the school for the benefit of students.

**To review the
Independent Auditors' Report,
Audited Financial Statements,
and Notes to
Financial Statements
please visit
www.dwc.org**

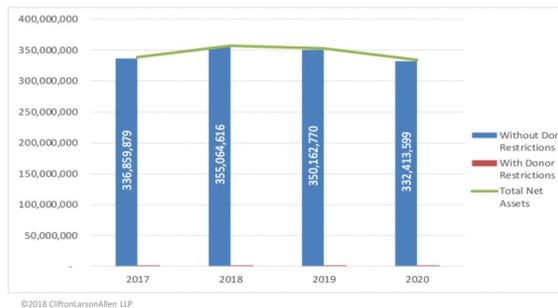
Statements of Financial Position - June 30, 2020 and 2019

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Assets | | |
| Cash and Cash Equivalents | \$ 998,465 | \$ 586,139 |
| Investments | | |
| Securities, at Fair Value | 238,564,622 | 240,043,591 |
| Mineral Rights, at Fair Value | 48,293,000 | 51,559,000 |
| Total Investments | 286,857,622 | 291,602,591 |
| Receivables, Net of Allowances for Uncollectible Amounts | | |
| Mineral Rights | 985,411 | 2,817,701 |
| Investment Income | 512,442 | 678,906 |
| Proceeds from Sale of Securities | - | 3,219,613 |
| Promised to Give and Bequests | 98,692 | 773,431 |
| Accounts | 154,853 | 300,155 |
| Premiums, Reimbursements, and Assessment | 4,125,740 | 4,161,565 |
| Notes Receivable | 17,032,288 | 18,395,036 |
| Prepaid Expenses and Other | 272,608 | 465,288 |
| Property, Buildings, and Equipment | | |
| Net of Accumulated Depreciation | 72,617,246 | 79,145,430 |
| Interest in Net Assets of Diocesan Real Estate, Inc | 18,901,577 | 19,387,837 |
| Beneficial Interest in Perpetual Trusts | 986,573 | 988,168 |
| Total Assets | 403,543,517 | 422,521,860 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts Payable and Accrued Liabilities | 2,241,4024 | 1,884,084 |
| Payable for Securities Purchased | 11,500 | 1,707,790 |
| Catholic Share Appeal Grants Payable | 46,778 | 306,622 |
| Amounts Payable for Collections to Other Organizations | 483,692 | 202,151 |
| Loan Payable | 1,996,372 | - |
| Promise to Give Payable | 5,000,000 | - |
| Deferred Revenue | 475,072 | 529,958 |
| Certificates of Deposit Payable | 27,117,103 | 26,555,223 |
| Lines of Credit Payable | 32,227,551 | 39,064,265 |
| Total Liabilities | 69,599,470 | 70,250,093 |
| Net Assets | | |
| Without Donor Restrictions | | |
| Undesignated | 258,608,290 | 271,017,340 |
| Designated - Victim Outreach | 1,188,063 | - |
| Invested in Property and Equipment | 72,617,246 | 79,145,430 |
| Total Without Donor Restrictions | 332,413,599 | 350,162,770 |
| With Donor Restrictions | 1,530,448 | 2,108,997 |
| Total Net Assets | 333,944,047 | 352,271,767 |
| Total Liabilities and Net Assets | \$403,543,517 | \$422,521,860 |

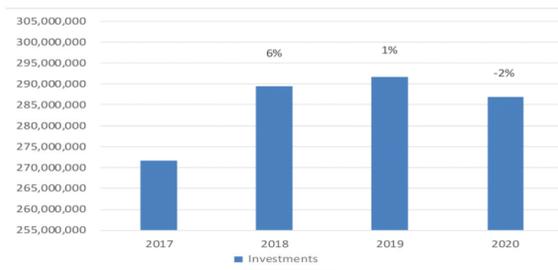
Statements of Financial Position is represented in the following graphs



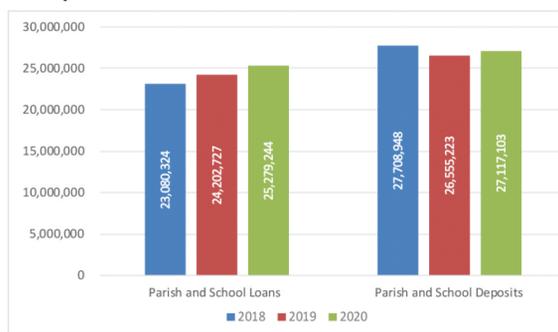
Classification of Net Assets



Investments (Securities and Mineral Rights)



Deposit and Loan Pool

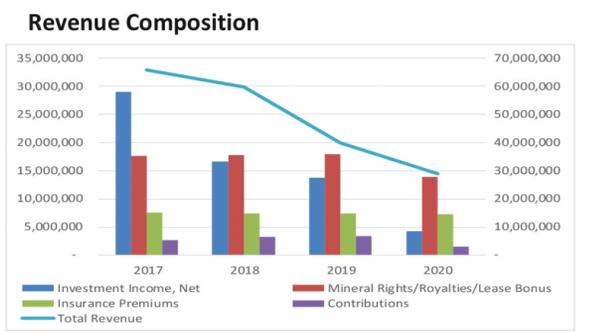


Statements of Activities - June 30, 2020 and 2019

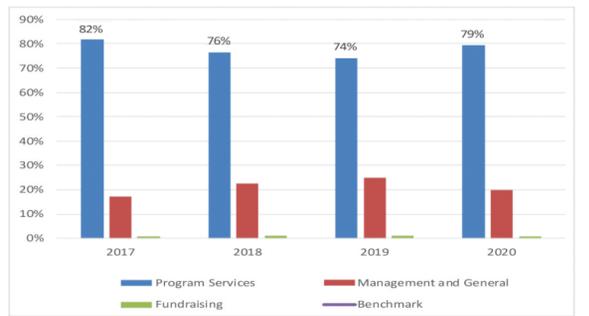
* Does Not Reflect Donor Restrictions

| | 2020 Totals | 2019 Totals |
|---|---------------------|--------------------|
| Revenues | | |
| Catharticum | \$ 306,188 | \$ 591,817 |
| Bequests and Contributions | 475,670 | 791,462 |
| Catholic Share Appeal | 1,099,402 | 2,621,601 |
| Use of Facilities | 1,203,376 | 1,629,180 |
| Insurance Premiums | 7,378,171 | 7,411,275 |
| Cemetery Fees | 370,038 | 505,054 |
| Grants from The Bishop's Fund, Inc | - | 400,000 |
| Proceeds from Dissolved The Bishop's Fund Inc. | 5,282,633 | - |
| Gain (loss) on Disposal of Assets | (2,009,728) | 43,355 |
| Gain (loss) of Diocesan Real Estate, Inc | (486,260) | (473,958) |
| Other Income | 430,769 | 1,019,536 |
| Total Revenues | 14,050,259 | 14,539,322 |
| Income from Investments | | |
| Investment Income, Net | 4,316,602 | 13,796,594 |
| Mineral Rights Royalties and Lease Bonus | - | - |
| Revenue Net | 13,986,532 | 17,912,028 |
| Unrealized Loss on Oil and Gas Properties | (3,266,000) | (6,399,000) |
| Total Income from Investments | 15,037,134 | 25,309,622 |
| Total Revenues and Income from Investments | 29,087,393 | 39,848,944 |
| Expenses | | |
| Program Services | | |
| Insurance Programs | 9,165,412 | 9,458,851 |
| Parish and School Deposit and Loan Program | 1,537,783 | 2,856,137 |
| Pastoral Centers | 3,295,221 | 3,813,416 |
| Parish and School Subsidies | 5,921,362 | 5,326,316 |
| Parish Catholic Share Appeal Grants | 919,972 | 1,901,244 |
| Vocations and Seminarians | 1,124,310 | 1,003,815 |
| Catholic Charities Subsidy | 1,016,407 | 1,397,190 |
| Evangelization and Education | 2,895,330 | 3,139,167 |
| Communications and Technology | 1,698,739 | 1,814,055 |
| Mt Calvary Cemetery | 738,437 | 736,098 |
| Outside Entity Support | 1,263,723 | 443,230 |
| Wheeling University | 8,005,000 | 1,125,000 |
| Total Program Services Expense | 37,581,696 | 33,014,519 |
| Support Services | | |
| Management and General | 5,193,521 | 5,982,453 |
| Mineral Management | 2,130,878 | 1,785,852 |
| Diocesan Properties | 1,332,695 | 1,853,696 |
| Investigations, Suits, and Related | 746,462 | 1,488,299 |
| Fundraising and Development | 429,861 | 491,788 |
| Total Supporting Services Expense | 9,833,417 | 11,602,018 |
| Total Expenses | 47,415,113 | 44,616,537 |
| Change in Net Assets | (18,327,720) | (4,767,593) |
| Net Assets, June 30, 2018 | | 357,039,360 |
| Net Assets, June 30, 2019 | 352,271,767 | 352,271,767 |
| Net Assets, June 30, 2020 | 333,944,047 | |

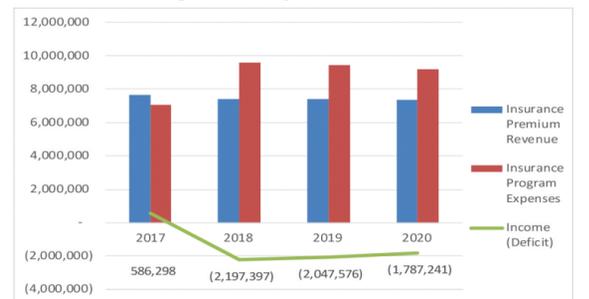
Statements of Activities is represented in the following graphs



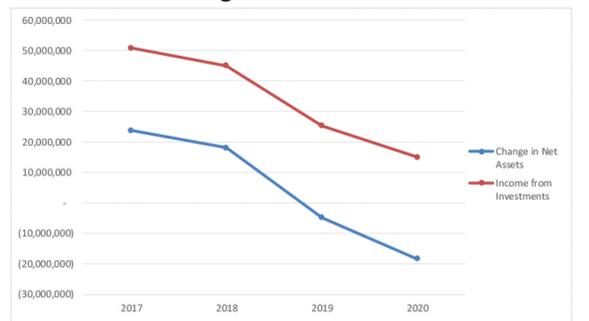
Functional Expenses



Insurance Program Analysis



Change in Net Assets Compared to Investment Earnings



Frequently Asked Questions Regarding the 2020 Financial Audit

This document will help answer some of the questions you may have regarding the 2020 financial audit that were not addressed in Bishop Mark Brennan's accompanying letter dealing with the Diocese's finances or in the audit's accompanying footnotes.

—Cathedraticum income is down significantly from the prior year. Did the Diocese lower cathedraticum rates for parishes?

The reduction in income was due in large part to the COVID-19 pandemic.

Assessment rates for the Diocese remained unchanged from the previous year with 91 cents of every dollar (or more in many instances) staying right in your parish. The Diocese does assess some (more on this later) collections in the parish.

6% of the Diocesan Assessment is used to support the Priest Health and Retirement Fund (PHRA). This money is solely used to support our priests as they age and leave active ministry in retirement.

3% of the assessable income is Cathedraticum used to provide operational support for a Diocese. Our assessment is one of the lowest in the country. This assessment does not operate our Diocese. Instead, it is entirely returned to parishes in need, such as mission parishes or parishes in need of support for priest's wages and benefits if collections are not sufficient to sustain operations of the parish. None of the Cathedraticum collected by the Diocese is used to fund chancery operations.

—Income listed as "Use of Facilities" is also lower this year. Can this be explained?

The Diocese does garner income from the use of various facilities across the state—such as pastoral centers. Due to the pandemic, these facilities were forced to close for an extended period.

It is important to note, in his commitment to prudent financial stewardship of the Diocesan Church, Bishop Brennan announced last June that operations at the Mary Help of Christian Pastoral Center in Huttonsville and the Priest Field Pastoral Center would cease on July 31, 2020. This will be reflected in the 2021 financial audit.

—There is a significant reduction in expenses listed under the "Parish and School Deposit and Loan Program." Has the Diocese reduced its support of parishes and schools?

The reduction in expenses of the parish and school deposit and loan Program is due to a decrease in bad debt expense related to notes/loans receivable. The allowance for uncollect-

ible notes/loans receivable is an estimate and does vary each year based on several factors which include new amounts borrowed, amounts paid each year on existing loans, assistance provided as subsidies instead of loans, and offertory changes.

Assistance provided as subsidies instead of notes/loans is evidenced by an increase of nearly \$600,000 in the Statement of Activities/Expenses/Parish and School Subsidy line item.

—I notice an increase in expenses under "Outside Entity Support." Can you explain?

Expenses increased under this line item due to the contribution to the West Virginia Catholic Foundation from Mount Calvary Cemetery. The "Mount Calvary Perpetual Care Fund" was created to help provide ongoing operational support to the cemetery for years to come. The funds were garnered from a mineral lease bonus on cemetery property.

—I've noticed a new line item under the "Liabilities" section on the Statement of Financial Position—"Loan Payable." Can you detail this line item of \$1,996,372?

This represents the federal Paycheck Protection Program loan received by the Diocese. As the program itself indicates, it was designed to provide support to businesses, including non-profit organizations, adversely affected by the coronavirus pandemic. As its title indicates, it was designed to ensure continuing paychecks to affected employees of such organizations, and the Diocese applied these funds in that manner and kept its employees on its payroll and provided health insurance to them throughout the covered period even though facilities were closed for weeks.

The Diocese intends to follow the guidelines of the program and submit its application for loan forgiveness as it has continued to provide payroll and benefits to its employees throughout the pandemic, as well as other qualifying expenses. It will appropriately complete SBA Form 3510 which will provide the Small Business Administration with the required information to determine forgiveness, just like every other non-profit organization.

While some parishes and schools within the Diocese may be considering filing for additional PPP loans under the recently passed CARES Act, the Diocese currently has no plans to file for a second round of PPP loans for Chancery staff.