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February 2, 2017

Dear Friend:

I am writing to thank you for all the efforts that you, your staff and volunteers put forth to bring the Catholic Charities story to the faithful in our diocese. The relationship between our parishes and Catholic Charities is one of partnership. With your help and support for the 2016 Annual Appeal, we raised over \$13 million. Our goal was \$11.5 million. Thank you!

Included in the total an additional \$700,000 was raised during the follow up weekend in May for Rose-Mary's community homes for children with developmental disabilities. All of the children are settled into their new homes. In this year's video, you will see the story of one Rose-Mary family that was impacted by the generosity of our donors.

Catholic Charities always strives to respond to the emerging needs in the community. We have responded rapidly and effectively to the opioid crisis in our area. Just three years ago, our Matt Talbot residential programs for chemical dependency treatment served 40 individuals at any given time. We now serve 94 men and women and will expand to a capacity of 110 in March. Without the support and commitment of our parishes, this would simply not be possible.

I also want to take this opportunity to share some additional information on our response to two incidents of employee theft, which have been in the news lately. We are justifiably outraged and shocked at the actions of these former employees and took bold, aggressive steps to prevent employee theft in the future. Your parishioners may have asked you about this, or may ask in the future. These key points might be helpful to you:

- No annual appeal dollars were compromised. The employee had no access or involvement with the appeal.
- Catholic Charities has insurance coverage against theft and recovered most of the stolen funds in the Parmadale incident. We are pursuing restitution through the court to recover the relatively small remaining balance. We will also recover a substantial portion of the second theft that was reported in the media yesterday.
- The needs of the underserved and vulnerable in our diocese continue. Our ability to respond to those needs depends upon a successful annual appeal.

Under the oversight of our audit committee, board of directors and chief executive officer, numerous actions were initiated to guard against similar actions; including:

- Processes at all locations were thoroughly examined by financial management and our external auditors to identify and address any potential control weaknesses.
- All third party receipts possible were converted to electronic deposit.

- Software enhancements were purchased to enable automated and improved reconciliation of accounts receivable to the general ledger.
- A new accounting firm was hired to conduct our annual audit and to do additional assessments of our financial controls and procedures
- We will establish an internal auditor position to report directly to the audit committee of the board and the president of Catholic Charities. We anticipate this will be in place by July 1.
- An insurance claim was filed and a forensic auditing firm hired. Most of the money was recovered through the insurance claim.
- We will pursue restitution from the perpetrator through the court for whatever funds that are not recovered from insurance.

I would be happy to discuss this matter with you and answer any questions you may have. Please feel free to call my direct line, 216-334-2901.

Thank you again for partnering with us to serve the less fortunate in our diocese. God bless!

Sincerely,

Patrick Gareau  
President & CEO