
The Roman Catholic Diocese of Toledo in America

**Combined Financial Report
with Supplemental Information
June 30, 2019**

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Independent Auditor's Report

To the Most Reverend Daniel E. Thomas, Bishop
of the Diocese of Toledo, and
Reverend Monsignor William Kubacki,
Vicar General and Moderator of the Curia
The Roman Catholic Diocese of Toledo in America

We have audited the accompanying combined financial statements of The Roman Catholic Diocese of Toledo in America - Diocese of Toledo in America Corporation, Diocese of Toledo Management Corporation, Central City Ministries Fund, Diocese of Toledo Cemeteries Corporation, Deposit and Loan Trust, Health Benefits Trust, Property and Casualty Trust, Cemeteries Perpetual Care Trust, and Pre-Need Cemetery Merchandise and Services Trust (collectively, the "Diocese"), which comprise the combined statement of financial position as of June 30, 2019 and the related combined statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Roman Catholic Diocese of Toledo in America - Diocese of Toledo in America Corporation, Diocese of Toledo Management Corporation, Central City Ministries Fund, Diocese of Toledo Cemeteries Corporation, Deposit and Loan Trust, Health Benefits Trust, Property and Casualty Trust, Cemetery Perpetual Care Trust, and Pre-Need Cemeteries Merchandise and Services Trust as of June 30, 2019 and the results of their changes in net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Most Reverend Daniel E. Thomas, Bishop
of the Diocese of Toledo, and
Reverend Monsignor William Kubacki,
Vicar General and Moderator of the Curia
The Roman Catholic Diocese of Toledo in America

Emphasis of Matter

As described in Note 2 to the combined financial statements, the Diocese adopted the provisions of Accounting Standards Update No. 2016-04, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of July 1, 2018. Our opinion is not modified with respect to this matter.

As described in Note 1 to the combined financial statements, the financial statements being presented are only for the corporations and trusts for which the Diocese retains operational control and do not reflect the assets, liabilities, and results of operations of parishes, schools, and other diocesan organizations. As a result, these combined financial statements are not intended to be a complete presentation of the Diocese. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

December 5, 2019

The Roman Catholic Diocese of Toledo in America

Combined Statement of Financial Position

June 30, 2019

Assets	
Cash and cash equivalents	\$ 2,641,237
Restricted cash and cash equivalents (Note 16)	13,842,992
Receivables - Net of allowances:	
Parish and other related entity receivables (Note 7)	1,360,144
Cemetery receivables	289,648
Other receivables	299,211
Total receivables - Net of allowances	1,949,003
Prepaid expenses and other assets	449,441
Loans and notes receivable - Net of allowance (Note 6)	14,673,821
Diocese investments (Note 4)	15,034,305
Other trusts and funds investments (Note 4)	37,274,783
Property and equipment - Net (Note 5)	6,127,110
Total assets	\$ 91,992,692
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 710,219
Deferred revenue (Note 8)	3,495,457
Due to agency funds (Note 7)	435,852
Accrued liabilities	297,035
Reserve for claims and claims expenses (Note 2)	1,779,176
Notes payable (Note 6)	41,083,679
Total liabilities	47,801,418
Net Assets	
Net assets without donor restrictions: (Note 9)	
Undesignated	13,835,175
Board designated	26,139,692
Total net assets without donor restrictions	39,974,867
Net assets with donor restrictions (Note 9)	4,216,407
Total net assets	44,191,274
Total liabilities and net assets	\$ 91,992,692

The Roman Catholic Diocese of Toledo in America

Combined Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Parish assessments	\$ 3,246,338	\$ -	\$ 3,246,338
Bishop's Annual Catholic Appeal	2,973,364	-	2,973,364
Central City Ministries revenue	2,248,030	-	2,248,030
Catholic education - Fees and services	785,408	-	785,408
Other fees and services	2,000,023	-	2,000,023
Management fee income	117,832	-	117,832
Insurance premiums - Health care and property and casualty	18,339,343	-	18,339,343
Cemetery revenue	1,556,906	-	1,556,906
Contributions	-	34,370	34,370
Interest income - Notes receivable (Note 6)	846,569	-	846,569
Miscellaneous income	475,950	-	475,950
Estates and other gifts	775,978	-	775,978
Marenda proceeds (Note 16)	8,540,891	-	8,540,891
Interest in earnings from custody trust account	1,119,139	91,547	1,210,686
Net assets released from restrictions (Note 9)	219,416	(219,416)	-
Total revenue, gains, and other support	43,245,187	(93,499)	43,151,688
Expenses			
Salaries and benefits	6,868,171	-	6,868,171
Apostolates and ministry programs	4,353,479	-	4,353,479
Insurance premiums and claims	16,733,456	-	16,733,456
Other administrative expenses	3,176,678	-	3,176,678
Cemeteries operating costs	1,010,589	-	1,010,589
Central City Ministries operating costs	528,966	-	528,966
Interest expense (Note 6)	923,241	-	923,241
Depreciation	974,198	-	974,198
Total expenses	34,568,778	-	34,568,778
Increase (Decrease) in Net Assets - Before other items and transfer	8,676,409	(93,499)	8,582,910
Other Items			
Donation of noncash asset	(386,900)	-	(386,900)
Loss on sale of available-for-sale properties	(77,916)	-	(77,916)
Net realized and unrealized gains on investments	730,311	-	730,311
Total other items	265,495	-	265,495
Increase (Decrease) in Net Assets - Before transfer of net assets	8,941,904	(93,499)	8,848,405
Transfer of Net Assets (Note 7)	1,692,631	-	1,692,631
Increase (Decrease) in Net Assets	10,634,535	(93,499)	10,541,036
Net Assets - Beginning of year	29,340,332	4,309,906	33,650,238
Net Assets - End of year	\$ 39,974,867	\$ 4,216,407	\$ 44,191,274

The Roman Catholic Diocese of Toledo in America

Combined Statement of Cash Flows

Year Ended June 30, 2019

Cash Flows from Operating Activities

Increase in net assets before transfer of net assets	\$ 8,848,405
Adjustments to reconcile increase in net assets before transfer of net assets to net cash and cash equivalents from operating activities:	
Depreciation	974,198
Donation of noncash asset	386,900
Bad debt expense	97,000
Net realized and unrealized gains on investments	(730,311)
Loss on sale - Property held for resale	77,916
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:	
Receivables	1,859,156
Prepaid expenses and other assets	(214,371)
Accounts payable	(68,385)
Deferred revenue	496,576
Accrued and other liabilities	(67,659)
Agency liability	29,323
Accrued self-insurance	(33,886)
Net cash and cash equivalents provided by operating activities	11,654,862

Cash Flows from Investing Activities

Purchase of property and equipment	(85,420)
Loans and notes receivable issued	(7,226,304)
Payment on loans and notes receivable	7,572,686
Net purchases of investments	(221,310)
Proceeds from sale of property and equipment held for resale	961,084
Net cash and cash equivalents provided by investing activities	1,000,736

Cash Flows from Financing Activities

Notes payable issued	7,389,219
Notes payable repaid	(12,986,727)
Net cash and cash equivalents used in financing activities	(5,597,508)

Net Increase in Cash and Cash Equivalents

7,058,090

Cash and Cash Equivalents - Beginning of year

9,426,139

Cash and Cash Equivalents - End of year

\$ 16,484,229

Combined Statement of Financial Position Classification of Cash and Cash Equivalents

Cash and cash equivalents	\$ 2,641,237
Restricted cash and cash equivalents	13,842,992
Total cash and cash equivalents	<u><u>\$ 16,484,229</u></u>

Supplemental Cash Flow Information - Cash paid for interest

\$ 753,029

Note 1 - Nature of Business

The Roman Catholic Diocese of Toledo in America (the "Diocese") was established by the Roman Pontiff in 1910. The Diocese comprises a geographic area of 8,222 square miles covering 19 counties in Northwest Ohio. The Diocese, under the governance of its duly appointed Bishop, oversees the activities of the Roman Catholic Church (the "Church") and is operated in accordance with the provisions of the 1983 Code of Canon Law, as amended, of the Church. In order to oversee the activities, the Diocese maintains various trusts and related incorporated entities.

Effective November 1, 2017, the Diocese established the following legal entities, which are included in these combined financial statements. These entities are recognized under the civil laws of the State of Ohio and under canon law to hold, administer, and govern the activities of the Diocese. This entity retains the separate public juridic personality of the Diocese according to the 1983 Code of Canon Law.

Diocese of Toledo in America Corporation

Includes activity related to the administration of the Diocese's ministries and its programs.

Diocese of Toledo Management Corporation

Includes activity related to the administration of the Diocese's temporal goods.

Central City Ministries Fund

Includes activities related to the administration and operations of two school campuses located in the Central City area of the City of Toledo, Ohio.

Diocese of Toledo Cemeteries Corporation

The corporation operates three cemeteries owned by the Diocese. The cemeteries are located in the Toledo, Ohio area and are Calvary, Mt. Carmel, and Resurrection.

Deposit and Loan Trust

The trust holds and invests funds deposited by parishes and related institutions of the Diocese. These funds are invested on behalf of or loaned to parishes and related institutions of the Diocese.

Health Benefits Trust

The trust provides for the administration and accounting functions of the healthcare self-insured insurance program, which is contracted with Medical Mutual of Ohio. All invoices that are billed to the various parishes and agencies for coverage are created by a third-party administrator, Findley, Inc.

Property and Casualty Trust

The trust provides for the administration and accounting functions of the protective self-insurance program (PSI), the workers' compensation program, and the unemployment program. The PSI program provides for the uniform property and blanket liability insurance coverage under one comprehensive plan for various parishes and agencies of the Diocese. The workers' compensation program provides workers' compensation insurance benefits to employees of the Diocese and the related parishes and agencies. All claims are managed by a third-party administrator, Spooner, Inc. The unemployment program provides unemployment insurance benefits for qualified unemployment claims to the employees of the Diocese and the related parishes' agencies. The program reimburses the State of Ohio for these expenses.

Cemeteries Perpetual Care Trust

The trust holds invested funds for perpetual care of the three cemeteries owned by the Diocese.

Pre-Need Cemetery Merchandise and Services Trust

The trust holds invested funds for cemetery burial rights purchased by customers prior to their need.

Note 1 - Nature of Business (Continued)

Combined Financial Statements

The combined financial statements include only the assets, liabilities, and operations related to the entities described above. The functions of the Diocese related to conducting the charitable works of the Diocese, parishes, administration of its schools and properties, payment of expenses related to retired and infirmed priests of the Diocese, long-term fundraising campaigns, benefit plans, the former Catholic Foundation (see Note 17), and other specific social and community services are not included in these financial statements and are accounted for in other funds or incorporated entities within the framework of the Diocese. As there is not a full year of activity in the prior year due to the restructure, the financial statements are not comparative.

Note 2 - Significant Accounting Policies

Cash and Cash Equivalents

The Diocese maintains cash in bank deposit accounts at financial institutions where balances may at times exceed federally insured limits. All highly liquid investments purchased with a maturity of three months or less are reported as cash equivalents.

Restricted cash and cash equivalents includes deposits held in the Deposit and Loan Trust, Health Benefits Trust, Property and Casualty Trust, and Diocese of Toledo Cemeteries Corporation.

Receivables

The Diocese carries parish assessments and insurance and healthcare premiums receivables equal to the unpaid amounts billed to the parishes based on net invoice amounts. An allowance for doubtful accounts is established for potentially uncollectible amounts. Management reviews the allowance on a yearly basis. Amounts are written off against the allowance in the year they are deemed uncollectible. See Note 7 for allowance amounts recorded.

Accounts receivable also includes the subsidy provided by various parishes for Central City Ministries Fund. The Diocese also carries tuition receivable from the parents/guardians of the students based on net invoiced amounts. The allowance is determined in consultation with school principals based on experience and current collection efforts. No allowance for uncollectible accounts is considered necessary.

Cemetery accounts and contracts receivable are reported at the original issue amount. No interest is charged. Accounts and contracts receivable consist primarily of amounts due for the purchase of preneed contracts that are paid over a 12- to 36-month period. The Diocese considers a contract receivable to be impaired when, based upon current information and events, it believes it is probable that it will be unable to collect all amounts due according to the contractual terms of the agreement. The Diocese currently considers all accounts and contracts receivable to be fully collectible, as services are not provided until full payment is received. Accordingly, no allowance for doubtful accounts is included in the financial statements. When amounts are deemed to be uncollectible, they are either expensed in the year in which that determination is made or at the time the crypt, niche, grave, etc. is taken back into the possession of the Diocese and held for future sale, or a combination of both. For uncollectible receivables for which there is also deferred revenue on the combined statement of financial position, the receivable and the deferred revenue are eliminated, with the resulting net amount charged or credited to revenue. The Diocese does not accrue interest on past due amounts.

Loans and Notes Receivable and Notes Payable

The Deposit and Loan Trust holds unsecured notes receivable, net of allowance, from and unsecured notes payable to the Diocese's parishes and related institutions, as described in Note 6. The Diocese of Toledo in America Corporation holds unsecured notes receivable, which the Diocese deems fully collectible.

Note 2 - Significant Accounting Policies (Continued)

Property Held for Resale

Property held for resale is recorded at cost when purchased or at fair value at the date of the gift, if received by contribution. Property held for resale is recorded at the lower of the carrying value or the fair value less the costs to sell.

Investments

Investments are carried at fair value. Fair values are based on quoted market prices. The appreciation or depreciation in market value is recognized as a change in nonoperating income. Gains and losses on sales of investments are determined based on the specific security sold. Interest and dividends are recorded on the accrual basis as part of operating income. Investments in certain cash equivalents (i.e., money market accounts) are classified as investments.

Investments in trusts and other funds include investments held in the Deposit and Loan Trust, Health Benefits Trust, Property and Casualty Trust, Cemeteries Perpetual Care Trust, Pre-Need Cemetery Merchandise and Services Trust, and the Central City Ministries Fund.

Property and Equipment

Property and equipment are recorded at cost. Assets are depreciated over their estimated useful lives using the straight-line method. Costs of maintenance and repairs are charged to expense when incurred.

Reserve for Claims and Claims Expenses

The reserve for claims and claims expenses is based on the accumulation of case estimates for losses reported and estimates of incurred but unreported losses based on past history of claims for the healthcare program, as well as the PSI, the unemployment program, and the workers' compensation program. Because of the inherent uncertainties in estimating the outcome of these claims, it is at least reasonably possible that these estimates will change.

Catastrophic Losses

The PSI program provides for catastrophic losses through the purchase of excess insurance coverage, which limits losses of the PSI to \$100,000 per casualty (fire or theft) and \$150,000 per liability claim, and coverage insures property up to approximately \$1.2 million on a blanket basis and \$20 million per liability claim, with the program being liable for any remaining excess.

The workers' compensation program has catastrophic loss excess insurance coverage. The deductible for each accident is \$600,000. The deductible for a claim related to disease is \$400,000. The coverage for each type of claim (accident or disease) is statutory (no limit).

The unemployment program is required to maintain a State of Ohio Unemployment Bond. The bond is computed by the State of Ohio and is based on payroll; total coverage for the bond is \$1.0 million as of June 30, 2019.

The healthcare program has specific stop-loss insurance coverage of up to \$250,000 per covered person, and the annual maximum per covered person is unlimited. The amount expensed by the Diocese under the plan was approximately \$14.8 million for the year ended June 30, 2019.

Classification of Net Assets

Net assets of the Diocese are classified based on the presence or absence of donor-imposed restrictions limiting the Diocese's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Note 2 - Significant Accounting Policies (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Diocese.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Diocese or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Revenue Recognition

The Diocese records revenue, such as contributions and promises to give, when it is received unconditionally at fair value. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Parish assessments are levied annually and are calculated based on annual collections times a fixed percentage of 5 percent for parishes that have a school and 10 percent for parishes that do not have a school.

The Diocese sponsors various educational and other programs that are necessary to fulfill its mission. The Diocese earns revenue from fees collected for such programs. Revenue is recognized and recorded when activities occur.

Central City Ministries revenue is derived from students attending the school during the year. During the year, tuition revenue is recorded when paid. At year end, any unpaid tuition deemed collectible is recorded as revenue and as a receivable. Central City Ministries Fund has various programs of financial aid to students, including scholarships, early payment, and other and employee discounts, which are reported net of contractual tuition and fees. Tuition assistance totaled \$52,888 for the year ended June 30, 2019.

When individuals purchase a cemetery burial right (plot of ground) or mausoleum, crypt, or niche, cemetery revenue is recognized and the plot, crypt, or niche is reserved for that individual and can no longer be sold. Discounts allowed for needy cases, religious reasons, etc. are reflected as deductions from sales.

The Deposit and Loan Trust records revenue, including interest and investment income, as it is earned.

Participation charges are billed to parishes and agencies for the healthcare program and the PSI program for the same fiscal year used in accounting for the Health Benefits Trust and the Property and Casualty Trust and are recognized in the period in which they are billed and earned. The PSI program is invoiced on July 1 for the fiscal year and the healthcare program is invoiced monthly by a third-party administrator, Findley, Inc. Workers' compensation and unemployment costs are currently funded by the investment returns of the reserves; no participation charges are currently billed to the parishes and agencies.

Deferred Revenue

Deferred revenue includes fees for programs that are paid in advance. Revenue for the programs is recognized when the activities occur.

Individuals may purchase cemetery interments or burial services in advance of actual need. These sales are deferred and are recognized as revenue at the time of an individual burial.

Note 2 - Significant Accounting Policies (Continued)

Individuals may purchase grave markers, monuments, columbariums, and foundations in advance of need. Revenue from such sales is deferred and is recognized at the time the marker, monument, columbarium, or foundation is erected. Individuals may also elect to purchase a burial vault (for ground burial) prior to need. These vault sales are deferred and are recognized as revenue at the time of an individual burial.

Any future costs related to the deferred revenue are expected to be incurred and recorded concurrently with the recognition of the revenue.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Diocese is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3); therefore, a provision for income taxes has not been included in the financial statements.

Functional Allocation of Expenses

Costs of providing program and support services have been reported on a functional basis in Note 10. Costs have been allocated between the various programs and support services based on estimates determined by management. Salaries and related expenses are allocated on the basis of time and effort. Depreciation is allocated on the basis of the program or supportive service, which uses the fixed asset. Costs have been allocated between various programs and support services based on estimates determined by management. Occupancy expenses are assigned on floor space, utilization, and other services directly subscribed within the financial statements. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Change in Accounting Principle

As of July 1, 2018, the Diocese adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets with donor restrictions and net assets without donor restrictions, rather than the three previous classifications. This standard also requires changes in the way certain information is aggregated and reported by the Diocese, including disclosures of qualitative and quantitative information about the liquidity and availability of resources and the presentation of expenses by both their functional and natural classification. This standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general.

Notes to Combined Financial Statements

June 30, 2019

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Diocese's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Diocese is in the process of evaluating contracts with customers to determine which application method they will use and the potential effects of the new standards on the financial statements, if any.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Diocese's year ending June 30, 2020 and will be applied on a modified prospective basis. The Diocese does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 5, 2019, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The following reflects the Diocese's financial assets as of the combined statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of combined financial position date:

Cash and cash equivalents	\$ 2,641,237
Restricted cash and cash equivalents	13,842,992
Accounts and interest receivable	1,949,003
Loans and notes receivable	14,673,821
Other trusts and funds investments	37,274,783
Diocese investments	<u>15,034,305</u>
Financial assets - At year end	85,416,141
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	119,864
Subject to appropriation and satisfaction of donor restrictions	4,096,543
Assets held in Deposit and Loan Trust	47,672,742
Board designations - Less Deposit and Loan Trust designations	<u>22,611,506</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 10,915,486</u></u>

Notes to Combined Financial Statements

June 30, 2019

Note 3 - Liquidity and Availability of Resources (Continued)

The Diocese has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$2.7 million at June 30, 2019. The Diocese has committed lines of credit in the amount of \$2.5 million at June 30, 2019, which it could draw upon if needed, as further described in Note 15.

The Diocese also realizes there could be unanticipated liquidity needs.

Note 4 - Investments

The majority of the investments are held in a custody trust account (the "Trust") and an endowment administered by Comerica Bank, the trustee. The Trust was established to hold the assets of the Diocese and its related entities. The investments of the Deposit and Loan Trust are held in trust by the Trust. The remainder of the investments of the Diocese are held in the custody of Key Bank, as custodian, and are under the control of investment managers who have full discretionary authority for purchases and sales of investments subject to compliance with the diocesan investment policy statement.

The estimated fair values of the investments and the endowment at June 30, 2019 are as follows:

Money market funds	\$ 4,886,281
U.S. government notes	23,016,454
U.S. corporate bonds	1,428,567
Mutual funds - Fixed income	10,064,444
Equity securities	11,930,050
Common collective trust - Catholic Foundation	1,488,983
Liabilities - Due to brokers	<u>(4,602,234)</u>
Total trust investments	48,212,545
Endowment (Note 14)	<u>4,096,543</u>
Total investments	<u>\$ 52,309,088</u>

The total investments described above include those classified as diocese investments and other trusts and funds investments on the combined statement of financial position. Investments in trust include investments of \$24.2 million in the Deposit and Loan Trust, which invests on behalf of parishes and other related organizations. Investments in trust also include investments in the Health Benefits Trust, Property and Casualty Trust, Cemeteries Perpetual Care Trust, and the Pre-Need Cemetery Merchandise and Services Trust. Investments in the endowment of \$4.1 million are reflected as investments in the Diocese of Toledo in America Corporation.

The Diocese invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the combined statement of financial position.

Notes to Combined Financial Statements

June 30, 2019

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

Land	\$ 1,086,506
Land improvements	3,098,708
Buildings	12,686,934
Office equipment	97,091
Vehicles	96,955
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Total cost	17,066,194
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Accumulated depreciation	10,939,084
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Net property and equipment	\$ 6,127,110
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Depreciation expense for 2019 was \$974,198.

Note 6 - Notes to and from Parishes and Related Institutions

The Deposit and Loan Trust holds unsecured notes receivable from and unsecured notes payable to the Diocese's parishes and related institutions, with the notes payable due on demand and the notes receivable maturing at various dates. The notes receivable have a variable interest rate equal to the prime rate. The notes payable had an interest rate of 1.50 percent through July 31, 2018, and effective August 1, 2018 through November 30, 2018, the interest rate on notes payable was 1.65 percent. Effective December 1, 2018, the interest rate on notes payable increased to 1.90 percent. Interest is due on a semiannual basis. The allowance for uncollectible notes is approximately \$1.4 million at June 30, 2019. The Diocese has the authority to liquidate assets of the parishes and related institutions to collect notes receivable.

The Deposit and Loan Trust has extended financing to various parishes and Catholic high schools in the form of construction notes. The trust has also extended financing to a parish and a related entity under lines of credit. There are no commitments at June 30, 2019 to extend additional financing.

Interest income and expense on the above notes receivable and payable are \$846,569 and \$923,241, respectively, which are included in the combined statement of activities and changes in net assets for the year ended June 30, 2019.

In some instances, financing notes receivable are placed on nonaccrual (deferred status) to provide additional time for the parishes, schools, and other organizations to achieve financial stability and repay their loans. Accrual of interest is resumed when such entities are in a position to repay the loans. There was no investment in loans on nonaccrual status as of June 30, 2019.

The Deposit and Loan Trust considers a financing loan receivable to be impaired when, based on current information and events, it is probable that the fund will be unable to collect all amounts due according to the contractual terms of the loan agreement. Individual loans are assessed for impairment based on the following factors: (1) changes in borrower-specific financial condition, (2) failure to adhere to repayment schedules, and (3) negative loan-to-asset ratios. There was \$44,000 written off during the year ended June 30, 2019.

Credit Quality Indicators

The Deposit and Loan Trust takes into account the borrower's need, ability to raise funds for repayment (i.e., capital campaigns or other fundraising), and the borrower's financial history. The Bishop of the Diocese of Toledo makes final loan determinations. All credit quality indicators have been updated through June 30, 2019. Credit monitoring is done by evaluation of loan payment history and periodic financial statement review.

The Roman Catholic Diocese of Toledo in America

Notes to Combined Financial Statements

June 30, 2019

Note 7 - Related Party Transactions

Related party activities as of and for the year ended June 30, 2019 are as follows:

Parish assessment receivable - Net of allowance	\$ 397,167
Parish receivable for support of Central City Ministries Fund - Net of allowance	86,793
Parish healthcare premium receivable - Net of allowance	446,181
Parish protective self-insurance premium receivables - Net of allowance	247,303
Receivable from the Catholic Foundation	182,700
Total	<u>\$ 1,360,144</u>
Due to agency fund - Catholic Youth Organization (CYO)	\$ 429,481
Due to agency fund - Global Concern	6,371
Total due to agency funds	<u>\$ 435,852</u>
Annual Catholic Appeal	2,973,364
Parish assessment income	3,246,338
Parish healthcare premium income	16,252,467
Parish protective self-insurance fund premium income	2,086,876
Reimbursement from the Catholic Foundation for seminary formation expenses (included in other income on the combined statement of activities and changes in net assets)	14,784
Subsidy paid to Catholic Charities for operations	806,000

Amounts due to agency funds are due on demand to the respective funds and relate to net income earned on their respective activities.

The Diocese charged assessments, as detailed above, to related parishes, and amounts outstanding related to these assessments are included in parish assessments receivable net of an allowance of \$106,000 at June 30, 2019. The Diocese also charged healthcare premiums and self-insurance premiums to parishes, as detailed above. The allowances for healthcare premiums and self-insurance fund premiums are \$134,000 and \$41,000, respectively, at June 30, 2019.

Contributions from the Annual Catholic Appeal were made to support various diocesan ministries. The Diocese also received contributions from various funds held at the Catholic Foundation for reimbursement of seminary expenses and other ministry and are included in miscellaneous income on the combined statement of activities and changes in net assets for the year ended June 30, 2019. The Diocese also subsidized Catholic Charities, and the amount is included within the Apostolates and ministry programs expense on the combined statement of activities and changes in net assets.

During the year ended June 30, 2019, the Catholic Foundation transferred \$1.7 million of net assets related to prior years' Annual Catholic Appeal donations to the Diocese and the Diocese transferred out \$7,369 to the Diocese of Toledo Properties Trust related to the net book value of a property.

Note 8 - Deferred Revenue

The following is the detail of deferred revenue as of June 30, 2019:

Cemetery interments	\$ 1,260,881
Cemetery vault sales	1,069,676
Cemetery markers, monuments, and foundations	392,737
Central City Ministries revenue	103,410
Other	668,753
Total	<u>\$ 3,495,457</u>

The Roman Catholic Diocese of Toledo in America

Notes to Combined Financial Statements

June 30, 2019

Note 9 - Net Assets

Net assets without donor restrictions consist of the following as of June 30, 2019:

Board-designated net assets:	
Designations:	
Special needs of retired and infirmed priests	\$ 2,340,564
Child and youth protection	2,245,089
Workers' compensation and unemployment	1,890,991
Cemeteries perpetual care	3,042,243
Central City Ministries Fund long-term operations	1,577,309
Closed parish maintenance fund	998,334
Subtotal	12,094,530
Trust designations:	
Deposit and loan	3,528,186
Health benefits	4,981,215
Property and casualty	5,535,761
Subtotal	14,045,162
Total board-designated net assets	26,139,692
Undesignated net assets	13,835,175
Total net assets without donor restrictions	\$ 39,974,867

Net assets with donor restrictions as of June 30, 2019 are available for the following purposes:

Subject to expenditures for a specified purpose:	
Knights of Columbus Religious Education	\$ 45,622
Youth, Young Adult Campus Ministries	10,402
Discretionary fund	2,530
Black Mission	31,229
Mass stipends	1,859
Other	20,163
Support for operations of Queen of Apostles School	8,059
Total subject to expenditures for a specified purpose	119,864
Subject to the Diocese's spending policy and appropriation:	
Funds restricted in perpetuity to investments, the income from which is expendable to support various programs	4,158,315
Funds deficiency from continued appropriation for programs (Note 14)	(61,772)
Total subject to spending policy and appropriation	4,096,543
Total net assets with donor restrictions	\$ 4,216,407
Purpose restrictions accomplished:	
Discretionary Fund	\$ 7,500
Mass stipends	3,510
Other	9,500
Total purpose restrictions accomplished	20,510
Release of appropriated endowment amounts with purpose restrictions	198,906
Total net assets released from restrictions	\$ 219,416

The Roman Catholic Diocese of Toledo in America

Notes to Combined Financial Statements

June 30, 2019

Note 10 - Functional Expenses

For the year ended June 30, 2019, expenses are functionally allocated as follows:

	Personnel Costs	Occupancy Costs	Office/ Program	Professional Services	Travel/ Professional Development	Grants/Other Assistance
Administrative expenses:						
Salaries and benefits	\$ 2,819,184	\$ -	\$ -	\$ -	\$ -	\$ -
Apostolates and ministry programs	-	71,968	176,775	18,272	16,479	296,341
Other administrative expenses	8,000	618,313	308,240	103,600	78,929	261,269
Cemeteries operating costs	9,939	-	34,750	241,022	1,145	-
Central City Ministries operating costs	-	-	-	7,660	-	-
Interest expense	-	-	98,529	-	-	-
Depreciation	-	394,616	-	-	-	-
Total administrative expenses	2,837,123	1,084,897	618,294	370,554	96,553	557,610
Program expenses:						
Salaries and benefits	3,936,112	-	-	-	-	-
Apostolates and ministry programs	-	118,552	708,415	660,747	199,881	2,086,049
Insurance premiums and claims	-	-	16,733,456	-	-	-
Other administrative expenses	-	68,684	115,052	1,248,337	10,002	-
Cemeteries operating costs	-	122,465	250,286	340,027	10,955	-
Central City Ministries operating costs	-	140,121	300,318	-	1,672	52,887
Interest expense	-	-	824,712	-	-	-
Depreciation	-	579,582	-	-	-	-
Total program expenses	3,936,112	1,029,404	18,932,239	2,249,111	222,510	2,138,936
Fundraising expenses:						
Salaries and benefits	112,875	-	-	-	-	-
Other administrative expenses	-	184,917	-	170,339	996	-
Central City Ministries operating costs	-	847	24,933	-	528	-
Total fundraising expenses	112,875	185,764	24,933	170,339	1,524	-
Total	\$ 6,886,110	\$ 2,300,065	\$ 19,575,466	\$ 2,790,004	\$ 320,587	\$ 2,696,546

Note 11 - Multiple-employer Defined Benefit Pension Plan

The Diocese established the Retirement Plan for Lay Employees in the Catholic Diocese of Toledo (the "Retirement Plan"), a multiple-employer defined benefit pension plan. The employer identification number of the Retirement Plan is 34-4428233. For the year ended June 30, 2019, the Diocese contributed 5 percent of each participating employee's compensation to the Retirement Plan, and each employee contributed 3 percent of compensation. Such percentages were increased beginning July 1, 2018 and will continue to increase each year through June 30, 2021. Benefits under the Retirement Plan are generally based on compensation levels and years of service.

Notes to Combined Financial Statements

June 30, 2019

Note 11 - Multiple-employer Defined Benefit Pension Plan (Continued)

The financial risks of participating in multiemployer plans are different from single-employer defined benefit pension plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer discontinues contributions to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If a participating employer chooses to stop participating in a plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

The Diocese contributed \$1.73 million to the Retirement Plan for the year ended June 30, 2019, of which \$1.6 million was a one-time contribution made as part of the Marenda proceeds, as described in Note 16. The remaining contribution of \$130,000 does not represent more than 5 percent of total contributions received by the Retirement Plan based on the most recent available information as of June 30, 2019, the year end of the Retirement Plan.

The Retirement Plan is not required to file Form 5500; therefore, certain information is not required to be made available publicly and is unavailable. If the Diocese withdraws its participation in the Retirement Plan, the Diocese could, under the terms of the Retirement Plan, be subject to a penalty. In addition to the extent that the Retirement Plan is underfunded, the Diocese's future contributions to the Retirement Plan may increase to cover retirement benefits of employees of other participants in the Retirement Plan.

The following information is based on the most recent available actuarial valuation of the Retirement Plan as of July 1, 2019:

	<u>Retirement Plan</u>
Total plan assets	\$ 167,753,613
Actuarial present value of accumulated plan benefits	\$ 199,634,604
Total contributions received by the Plan	\$ 7,238,513
Indicated level of funding	84.00 %

Note 12 - Contingencies

From time to time, the Diocese and its related trusts and entities are subject to various disputes and legal proceedings arising in the ordinary course of business. Management is of the opinion, based upon information presently available, that it is unlikely that any liability would be significant in relation to the Diocese's financial position, results of operations, or cash flows.

Note 13 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Diocese has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Notes to Combined Financial Statements

June 30, 2019

Note 13 - Fair Value Measurements (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Diocese’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following table presents information about the Diocese’s assets and liabilities measured at fair value on a recurring basis at June 30, 2019 and the valuation techniques used by the Diocese to determine those fair values.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Assets				
Trading securities:				
U.S. corporate bonds	\$ -	\$ 1,428,567	\$ -	\$ 1,428,567
Mutual funds - Fixed income	11,309,438	-	-	11,309,438
Mutual funds - Equity	14,621,601	-	-	14,621,601
Money market funds	5,058,515	-	-	5,058,515
U.S. government obligations	-	23,016,454	-	23,016,454
Common collective trust - Catholic Foundation	-	1,488,983	-	1,488,983
Total assets	\$ 30,989,554	\$ 25,934,004	\$ -	\$ 56,923,558
Liabilities - Due to brokers	\$ (4,614,470)	\$ -	\$ -	\$ (4,614,470)

The fair value of U.S. corporate bonds at June 30, 2019 was determined primarily based on Level 2 inputs. The fund estimates the fair value of these investments based on quoted prices for similar assets in active markets.

The fair value of U.S. government obligations at June 30, 2019 was determined primarily based on Level 2 inputs. The Diocese estimates the fair value of these investments based on quoted prices for similar assets in active markets.

The fair value of the common collective trust - Catholic Foundation at June 30, 2019 was determined primarily based on Level 2 inputs. The fund estimates the fair value of these investments based on stated market value of the underlying assets in the fund. There are no unfunded commitments or redemption restrictions relative to this fund.

Note 14 - Donor-restricted Endowments

The Diocese's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Notes to Combined Financial Statements

June 30, 2019

Note 14 - Donor-restricted Endowments (Continued)

Interpretation of Relevant Law

The Diocese is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Diocese appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. Management of the Diocese had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Diocese considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Diocese has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Diocese and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Diocese
- The investment policies of the Diocese

Endowment Net Asset Composition by Type of Fund
as of June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ -	\$ 4,158,315	\$ 4,158,315
Appropriated funds	-	(61,772)	(61,772)
Total donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 4,096,543</u>	<u>\$ 4,096,543</u>

Changes in Endowment Net Assets for the Fiscal
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ -	\$ 4,205,877	\$ 4,205,877
Investment return - Investment income	-	89,572	89,572
Appropriation of endowment assets for expenditure	-	(198,906)	(198,906)
Endowment net assets - End of year	<u>\$ -</u>	<u>\$ 4,096,543</u>	<u>\$ 4,096,543</u>

Note 14 - Donor-restricted Endowments (Continued)

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Diocese to retain as a fund of perpetual duration. Deficiencies of this nature exist in one donor-restricted endowment fund, which together have an original gift value of \$4,158,315, a current fair value of \$4,096,543, and a deficiency of \$61,772 as of June 30, 2019. These deficiencies resulted from continued appropriation for certain programs that was deemed prudent by the board of trustees.

Return Objectives and Risk Parameters

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Bishop, in consultation with the diocesan investment committee, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. The Fund expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Diocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Diocese targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Diocese has a policy of appropriating for distribution each year 5 percent of its endowment fund's December 31 balance. In establishing this policy, the Diocese considered the long-term expected rate of return on its endowment. This is consistent with the Diocese's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Note 15 - Line of Credit

Under a line of credit agreement with a bank, the Diocese has available borrowings of \$2,500,000 with interest charged at the London Interbank Offered Rate (LIBOR) plus 2 percent. The line of credit is collateralized by marketable securities held at Comerica Bank, which may be sold in the event of a default. Under the term of the agreement, borrowings under the line of credit cannot exceed 80 percent of the balance of the marketable securities pledged as collateral included in Diocese investments on the combined statement of financial position. There were no outstanding draws on the line of credit at June 30, 2019. The agreement expires on December 31, 2019.

The Roman Catholic Diocese of Toledo in America

Notes to Combined Financial Statements

June 30, 2019

Note 16 - Mareda

During the year ended June 30, 2019, the Diocese received proceeds of \$13.3 million from a separate entity, in which the Bishop is a governing member, for the sale of five affordable housing properties within the Toledo, Ohio area referred to as the Mareda Properties (Mareda). These proceeds were allocated by the Bishop to entities and trusts included in this report (combined entities), as well as other noncombined entities. The Diocese placed all the funds in one account and then moved the funds to each respective entity based on the Bishop's approval, after consultation with various advisory bodies.

The following table shows the total funds received by the Diocese that were then allocated based on the Bishop's approval:

Allocation and use of proceeds:	
Social ministry support	\$ 3,053,478
Debt reduction:	
Catholic Foundation - ACA obligation to the Diocese	1,700,000
Cemeteries - Obligation to the Diocese	964,491
Central City Ministries Fund - Obligation to the Diocese	654,666
Diocese pension contributions for priests and lay employees:	
Retirement plan for lay employees	1,600,000
Priests' retirement plan	500,000
Cemetery future obligations:	
Establish Pre-Need Cemetery Merchandise and Services Trust cash reserves	1,619,932
Enhance Cemeteries Perpetual Care Trust	1,000,000
Cemeteries equipment and property upgrades and niche inventory	500,000
Other diocesan initiatives:	
General reserve funds	1,228,324
Strategic initiative support	300,000
Cathedral building - Capital improvements	200,000
	<u>13,320,891</u>
Total proceeds allocated for use	13,320,891
Mareda proceeds allocated to noncombined entities:	
Catholic Foundation	(1,700,000)
Retirement plan for lay employees	(1,600,000)
Catholic Charities	(980,000)
Priests' retirement plan	(500,000)
	<u>(4,780,000)</u>
Proceeds allocated to noncombined entities	(4,780,000)
Proceeds allocated to combined entities	<u>\$ 8,540,891</u>

Note 17 - Subsequent Events

On July 1, 2019, the Catholic Foundation dissolved and transferred all assets of approximately \$57.3 million into a new trust, Diocese of Toledo Catholic Investment Trust. This trust will be part of the combined financial statements of the Diocese going forward.

Supplemental Information



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Independent Auditor's Report on Supplemental Information

To the Most Reverend Daniel E. Thomas, Bishop
of the Diocese of Toledo, and
Reverend Monsignor William Kubacki,
Vicar General and Moderator of the Curia
The Roman Catholic Diocese of Toledo in America

We have audited the combined financial statements of The Roman Catholic Diocese of Toledo in America as of and for the year ended June 30, 2019 and have issued our report thereon dated December 5, 2019, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The information in the accompanying combining statement of financial position as of June 30, 2019 and the combining statement of activities and changes in net assets for the year ended June 30, 2019 are presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual entities and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Plante & Moran, PLLC

December 5, 2019

The Roman Catholic Diocese of Toledo in America

Combining Statement of Financial Position

June 30, 2019

	Diocese of Toledo in America	Diocese of Toledo Management Corporation	Central City Ministries Fund	Diocese of Toledo Cemeteries Corporation	Deposit and Loan Trust	Health Benefits Trust	Property and Casualty Trust	Cemeteries Perpetual Care Trust	Pre-Need Cemetery Merchandise and Services Trust	Eliminating Entries	Total
Assets											
Cash and cash equivalents	\$ 2,011,206	\$ 233,249	\$ 328,848	\$ 64,829	\$ -	\$ -	\$ -	\$ 3,327	\$ (222)	\$ -	\$ 2,641,237
Restricted cash and cash equivalents	-	-	-	11,051	9,095,680	3,402,206	1,334,055	-	-	-	13,842,992
Other designated cash and cash equivalents	3,812,530	-	-	451,005	-	-	-	-	-	(4,263,535)	-
Receivables - Net of allowances:											
Parish and other related entity receivables	579,867	-	86,793	-	-	446,181	247,303	-	-	-	1,360,144
Cemetery receivables	-	-	-	289,648	-	-	-	-	-	-	289,648
Receivables from other combining entities	358,580	17,550	-	1,669,462	1,138,916	-	195,060	-	-	(3,379,568)	-
Other receivables	295,688	3,523	-	-	-	-	-	-	-	-	299,211
Total receivables - Net of allowances	1,234,135	21,073	86,793	1,959,110	1,138,916	446,181	442,363	-	-	(3,379,568)	1,949,003
Prepaid expenses and other assets	282,818	-	-	-	132,174	32,020	-	2,429	-	-	449,441
Loans and notes receivable - Net of allowance	290,114	-	-	-	14,383,707	-	-	-	-	-	14,673,821
Diocese investments	15,034,305	-	-	-	-	-	-	-	-	-	15,034,305
Other trusts and funds investments	-	-	1,577,309	-	24,193,355	2,663,901	4,021,319	3,149,437	1,669,462	-	37,274,783
Property and equipment - Net	2,599,560	-	1,049,199	2,478,351	-	-	-	-	-	-	6,127,110
Total assets	\$ 25,264,668	\$ 254,322	\$ 3,042,149	\$ 4,964,346	\$ 48,943,832	\$ 6,544,308	\$ 5,797,737	\$ 3,155,193	\$ 1,669,240	\$ (7,643,103)	\$ 91,992,692

The Roman Catholic Diocese of Toledo in America

Combining Statement of Financial Position (Continued)

June 30, 2019

	Diocese of Toledo in America	Diocese of Toledo Management Corporation	Central City Ministries Fund	Diocese of Toledo Cemeteries Corporation	Deposit and Loan Trust	Health Benefits Trust	Property and Casualty Trust	Cemeteries Perpetual Care Trust	Pre-Need Cemetery Merchandise and Services Trust	Eliminating Entries	Total
Liabilities and Net Assets											
Liabilities											
Accounts payable	\$ 494,954	\$ 18,187	\$ 27,156	\$ 75,843	\$ 67,515	\$ 15,885	\$ 10,679	\$ -	\$ -	\$ -	\$ 710,219
Deferred revenue	640,761	-	103,410	2,723,294	-	27,992	-	-	-	-	3,495,457
Payables to other funds and related parties	1,675,905	-	-	27,203	4,264,452	919	918	4,244	1,669,462	(7,643,103)	-
Due to agency funds	435,852	-	-	-	-	-	-	-	-	-	435,852
Accrued liabilities	264,406	21,917	-	21,212	-	(9,876)	(624)	-	-	-	297,035
Reserve for claims and claims expenses	-	-	-	-	-	1,528,173	251,003	-	-	-	1,779,176
Notes payable	-	-	-	-	41,083,679	-	-	-	-	-	41,083,679
Total liabilities	3,511,878	40,104	130,566	2,847,552	45,415,646	1,563,093	261,976	4,244	1,669,462	(7,643,103)	47,801,418
Net Assets											
Net assets without donor restrictions:											
Undesignated	10,069,464	214,218	1,326,215	2,116,794	-	-	-	108,706	(222)	-	13,835,175
Board designated	7,474,978	-	1,577,309	-	3,528,186	4,981,215	5,535,761	3,042,243	-	-	26,139,692
Total net assets without donor restrictions	17,544,442	214,218	2,903,524	2,116,794	3,528,186	4,981,215	5,535,761	3,150,949	(222)	-	39,974,867
Net assets with donor restrictions	4,208,348	-	8,059	-	-	-	-	-	-	-	4,216,407
Total net assets	21,752,790	214,218	2,911,583	2,116,794	3,528,186	4,981,215	5,535,761	3,150,949	(222)	-	44,191,274
Total liabilities and net assets	<u>\$ 25,264,668</u>	<u>\$ 254,322</u>	<u>\$ 3,042,149</u>	<u>\$ 4,964,346</u>	<u>\$ 48,943,832</u>	<u>\$ 6,544,308</u>	<u>\$ 5,797,737</u>	<u>\$ 3,155,193</u>	<u>\$ 1,669,240</u>	<u>\$ (7,643,103)</u>	<u>\$ 91,992,692</u>

The Roman Catholic Diocese of Toledo in America

Combining Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019

	Diocese of Toledo in America	Diocese of Toledo Management Corporation	Central City Ministries Fund	Diocese of Toledo Cemeteries Corporation	Deposit and Loan Trust	Health Benefits Trust	Property and Casualty Trust	Cemeteries Perpetual Care Trust	Pre-Need Cemetery Merchandise and Services Trust	Eliminating Entries	Total
Changes Net Assets without Donor Restrictions											
Revenue, gains, and other support:											
Parish assessments	\$ 3,246,338	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,246,338
Bishop's Annual Catholic Appeal	2,973,364	-	-	-	-	-	-	-	-	-	2,973,364
Central City Ministries Fund revenue	-	-	2,248,030	-	-	-	-	-	-	-	2,248,030
Catholic education - Fees and services	785,408	-	-	-	-	-	-	-	-	-	785,408
Other fees and services	2,362,973	-	-	-	-	-	-	551,598	-	(914,548)	2,000,023
Management fee income	-	1,673,662	-	-	-	-	-	-	-	(1,555,830)	117,832
Insurance premiums	-	-	-	-	-	16,252,467	2,086,876	-	-	-	18,339,343
Cemetery revenue	-	-	-	1,556,906	-	-	-	-	-	-	1,556,906
Interest income	-	-	-	-	846,569	-	-	-	-	-	846,569
Miscellaneous income	-	33	37,913	8,980	-	-	429,024	-	-	-	475,950
Estates and other gifts	505,978	-	270,000	-	-	-	-	-	-	-	775,978
Proceeds from Mareda sale	1,929,691	-	2,526,777	4,084,423	-	-	-	-	-	-	8,540,891
Interest in earnings from custody trust account	308,143	-	-	5,911	593,343	62,333	94,095	55,314	-	-	1,119,139
Net assets released from restrictions	219,416	-	-	-	-	-	-	-	-	-	219,416
Total revenue, gains, and other support	12,331,311	1,673,695	5,082,720	5,656,220	1,439,912	16,314,800	2,609,995	606,912	-	(2,470,378)	43,245,187
Expenses:											
Salaries and benefits	3,185,180	1,304,784	1,642,440	735,767	-	-	-	-	-	-	6,868,171
Apostolates and ministry programs	4,353,479	-	-	-	-	-	-	-	-	-	4,353,479
Insurance premiums and claims	-	-	-	-	-	14,826,707	1,906,749	-	-	-	16,733,456
Other administrative expenses	1,733,671	201,629	-	-	60,305	1,022,058	152,398	6,617	-	-	3,176,678
Cemeteries operating costs	-	-	-	1,010,589	-	-	-	-	-	-	1,010,589
Central City Ministries operating costs	-	-	528,966	-	-	-	-	-	-	-	528,966
Interest expense	98,529	-	71,683	-	753,029	-	-	-	-	-	923,241
Depreciation	394,616	-	185,839	393,743	-	-	-	-	-	-	974,198
Management fees	1,122,348	-	43,991	85,462	56,716	125,576	101,561	19,954	222	(1,555,830)	-
Rent and occupancy	258,897	104,053	-	-	-	-	-	-	-	(362,950)	-
Perpetual care contributions	-	-	-	551,598	-	-	-	-	-	(551,598)	-
Total expenses	11,146,720	1,610,466	2,472,919	2,777,159	870,050	15,974,341	2,160,708	26,571	222	(2,470,378)	34,568,778

The Roman Catholic Diocese of Toledo in America

Combining Statement of Activities and Changes in Net Assets (Continued)

Year Ended June 30, 2019

	Diocese of Toledo in America	Diocese of Toledo Management Corporation	Central City Ministries Fund	Diocese of Toledo Cemeteries Corporation	Deposit and Loan Trust	Health Benefits Trust	Property and Casualty Trust	Cemeteries Perpetual Care Trust	Pre-Need Cemetery Merchandise and Services Trust	Eliminating Entries	Total
Increase (Decrease) in Net Assets without Donor Restrictions - Before nonoperating (loss) income and transfer	\$ 1,184,591	\$ 63,229	\$ 2,609,801	\$ 2,879,061	\$ 569,862	\$ 340,459	\$ 449,287	\$ 580,341	\$ (222)	\$ -	\$ 8,676,409
Nonoperating (Loss) Income											
Donation of noncash asset	(386,900)	-	-	-	-	-	-	-	-	-	(386,900)
Loss on sale of available-for-sale properties	(77,916)	-	-	-	-	-	-	-	-	-	(77,916)
Net realized and unrealized gains on investments	182,971	-	49,395	43,620	355,606	27,889	42,067	28,763	-	-	730,311
Total nonoperating (loss) income	(281,845)	-	49,395	43,620	355,606	27,889	42,067	28,763	-	-	265,495
Increase (Decrease) in Net Assets without Donor Restrictions - Before transfer	902,746	63,229	2,659,196	2,922,681	925,468	368,348	491,354	609,104	(222)	-	8,941,904
Transfer	1,692,631	-	-	-	-	-	-	-	-	-	1,692,631
Increase (Decrease) in Net Assets without Donor Restrictions	2,595,377	63,229	2,659,196	2,922,681	925,468	368,348	491,354	609,104	(222)	-	10,634,535
Changes in Net Assets with Donor Restrictions											
Contributions	29,370	-	5,000	-	-	-	-	-	-	-	34,370
Interest in earnings from custody trust account	91,547	-	-	-	-	-	-	-	-	-	91,547
Net assets released from restrictions	(219,416)	-	-	-	-	-	-	-	-	-	(219,416)
(Decrease) Increase in Net Assets with Donor Restrictions	(98,499)	-	5,000	-	-	-	-	-	-	-	(93,499)
Increase (Decrease) in Net Assets	2,496,878	63,229	2,664,196	2,922,681	925,468	368,348	491,354	609,104	(222)	-	10,541,036
Net Assets - Beginning of year	19,255,912	150,989	247,387	(805,887)	2,602,718	4,612,867	5,044,407	2,541,845	-	-	33,650,238
Net Assets - End of year	<u>\$ 21,752,790</u>	<u>\$ 214,218</u>	<u>\$ 2,911,583</u>	<u>\$ 2,116,794</u>	<u>\$ 3,528,186</u>	<u>\$ 4,981,215</u>	<u>\$ 5,535,761</u>	<u>\$ 3,150,949</u>	<u>\$ (222)</u>	<u>\$ -</u>	<u>\$ 44,191,274</u>