Summary Report from Diocesan Finance Officer and the Director of Finance

This Summary Report is intended to be used in connection with a review of the audited June 30, 2018 Combined Financial Statements of the Roman Catholic Diocese of Toledo (Financial Report) in order to provide a more general understanding of the financial statements.

In an ongoing spirit of transparency and accountability, the audited Financial Report of the various diocesan entities is presented for review, along with this accompanying Summary Report. As a result of the restructuring that occurred on November 1, 2017, the format and time period covered in the Financial Report is different from that of previous years. The Financial Report reflects there being no beginning net asset values as of November 1, 2017, due to the fact that new legal entities were established as part of the restructuring. Through the restructuring activities previous funds were closed on November 1, 2017 and net assets were transferred into the newly formed entities. The entities and trusts included in the Financial Report reflect the net assets and operating activities of the offices of the Pastoral Center of the Diocese of Toledo, as well as important programs that assist the parish communities and other Catholic agencies throughout the 19 counties of Northwest Ohio.

The Financial Report as of June 30, 2018, encompasses the combined results of eight (8) entities and trusts, which are illustrated in the Supplemental Information included therein. The Deposit & Loan Trust, while included in these combined results, also has a separate audited financial report as of June 30, 2018. Other than some selected cash and investment assets, the Financial Report does not include results of all the ecclesiastical entities of the diocese, which are represented by: 1) 122 parishes and 63 schools, all of which publish separate financials as prepared by the respective entities and shared with their governing boards/committees and parishioners, and 2) Other non-profit diocesan organizations including Catholic Charities, the Catholic Foundation, the Catholic Club, and Mareda, Inc., all of which publish their financial report separately. These non-profit organizations are governed by their own boards and their respective assets are held in their names and not comingled with those of any other entity.

This Summary Report will provide an overview as well as selected financial information of the eight entities and trusts that make up the Financial Report of the Roman Catholic Diocese of Toledo in America. The Financial Report includes selected cash and investment assets of other diocesan entities, primarily through deposits held in the Deposit & Loan Trust; therefore, it is advisable to reference the related notes and supplemental information.
for underlying details supporting such balances. In order to comply with Generally Accepted Accounting Principles (GAAP), as established by the Financial Accounting Standards Board (FASB), effective November 1, 2017 the Financial Report reflects the capitalization and depreciation of appropriate assets. This Summary Report should be read in conjunction with the accompanying Financial Report as of June 30, 1018.

The Diocese of Toledo in America (DOT):

Overview: DOT includes various ministry and pastoral activities within the Pastoral Center, which provides services to parishes and schools throughout the diocese. These activities include clergy and seminary formation; Catholic education; family, young adult, and youth ministries; parish evangelization; and support of Catholic Charities and other diocesan ministries. Funding for these various diocesan ministries is provided by funds received from the Annual Catholic Appeal (ACA), and support from the Catholic Foundation and other organizations. Funding to support temporal services is provided by receipt of parish assessments (calculated as a percentage of Sunday and holy day collections). Expenses of DOT include personnel and other direct costs incurred related to the ministries, pastoral programs, and administrative support. Additionally, DOT is charged service fees from The Diocese of Toledo Management Corporation, for the various management, business, legal, and administrative services provided.

Highlights: The net assets transferred into DOT from restructuring activities were $15.8 million. The net assets decreased $841 thousand during the eight-month period ended June 30, 2018, as a result of expenditures exceeding funding. Expenditure included depreciation expense of $395 thousand. Ongoing actions are underway to closely manage program expenses as well as to enhance future ACA and other funding.

The Diocese of Toledo Management Corporation (Management Corp):

Overview: Management Corp provides temporal services including finance, accounting, real estate, construction planning, human resources, payroll, legal/risk management, and operational/strategic planning to the Pastoral Center, parishes of the diocese, and various related entities. Management Corp also provides support to the various governance committees and boards of related diocesan organizations and trusts. Management Corp executes annual service agreements with all applicable diocesan entities, which becomes the basis for monthly service fees charged. Expenses are primary personnel and other direct costs related to the services provided.

Highlights: The net assets transferred into Management Corp from restructuring activities were $225 thousand, to support initial operating needs. Management Corp revenue and
expenses for the eight-month period ended June 30, 2018, were $1.1 million and $1.2 million, respectively.

Central City Ministries (CCMT):

Overview: CCMT is an inner-city kindergarten thru 8th grade diocesan school comprised of Queen of Apostles and Rosary Cathedral campuses with enrollment of approximately 320 students. CCMT endeavors to prepare students to be responsible citizens and followers of Christ by providing a strong academic and religious education to a diverse population. Revenue is realized from student tuition, EdChoice Scholarships, mandated services income, parish support, and other fundraising activities. Expense are comprised primarily of educator and administrator salaries and benefits, student services, depreciation, and facility maintenance costs. Additionally, CCMT is charged service fees from Management Corp, for services provided.

Highlights: The net assets transferred into CCMT from restructuring activities were a negative $234 thousand, reflecting liabilities exceeding assets at November 1, 2017. Net assets increased by $481 thousand for the eight-month period ended June 30, 2018. This increase is due in part to the timing of recognizing tuition payments and donation revenue to support various facility upgrades and programs preceding the actual costs to complete the projects. In addition, depreciation expense of $179 thousand and interest expense of $64 thousand on a note payable were recorded.

The Diocese of Toledo Cemeteries Corporation (Cemeteries Corp):

Overview: The Cemeteries Corp includes the operations of three diocesan cemetery locations – Resurrection, Mount Carmel, and Calvary; but excludes all parish cemeteries. Cemeteries Corp is dedicated to providing assistance to families in need by burying the dead in conformity with Catholic teachings and comforting the bereaved. Effective January 1, 2018, Cemeteries Corp contracted with Catholic Management Services (CMS), an organization owned by the Diocese of Oakland CA, to provide day-to-day operational oversight and management services at all three locations. Cemeteries Corp generates revenue from promotion and sales of various burial products and services. Expenses include sales, operations, and administrative personnel costs, as well as direct burial costs, depreciation and property maintenance expenses. Additionally, Cemeteries Corp is charged service fees from Management Corp for services provided.

Highlights: The net assets transferred into Cemeteries Corp from restructuring activities were a negative $116 thousand, reflecting liabilities exceeding assets at November 1, 2017. Net assets decreased by $690 thousand for the eight-month period ended June 30, 2018,
due to a combination of recording depreciation of $392 thousand, sales revenues falling short of target, and initial transition costs of CMS management services. Actions are underway to enhance staff training and processes, increase sales, and improve operating efficiencies.

**The Diocese of Toledo Deposit & Loan Trust (D&L Trust):**

**Overview:** The D&L Trust holds assets of parishes and other diocesan entities and provides a highly secured and socially responsible investment option for excess short-term funds, ready access to deposits with no risk of early withdraw penalty, all at a stable and attractive rate of return. Broad participation in the D&L Trust allows for low cost loans to be made available to a wide variety of qualifying diocesan entities to support important construction and repair projects.

The D&L Trust generates revenue from interest charged to borrowers on outstanding loans. Expenses included interest payments made to depositors and investment management fees. Additionally, the D&L Trust is charged service fees from Management Corp for services provided.

**Highlights:** The net assets transferred into the D&L Trust from restructuring activities were $2.5 million, to establish the appropriate deposit and loan asset and liability balances. Net assets increased $132 thousand during the eight-month period ended June 30, 2018.

**The Diocese of Toledo Health Benefit Trusts (Health Benefits Trust):**

**Overview:** The Health Benefits Trust holds the assets of the diocese’s Health Benefits Program, and through the Management Corp provides management and administrative support for the operation of this program. The Health Benefits Program provides health, vision, and dental insurance coverage to employees of participating entities which include parishes, schools, and various ecclesiastical agencies. It is a self-insured program contracted with Medical Mutual of Ohio and has specific stop-loss and aggregate stop-loss coverages and various plan administration costs. Revenues are generated from premiums charged to the participating entities and employees. Expenses include claims incurred and premiums for stop-loss coverages. Additionally, the Health Benefits Trust is charged service fees from Management Corp for services provided.

**Highlights:** The net assets transferred into the Health Benefits Trust from restructuring activities were $2.4 million, to establish the appropriate asset and liability balances. Net assets in the Trust increased by $2.2 million during the eight-month period ended June 30, 2018, due in part to lower than expected insurance claims incurred.
The Diocese of Toledo Property and Casualty Trust (P&C Trust):

Overview: The P&C Trust holds the assets of the diocese’s Risk Management Program and provides management and administrative support for the operation of this program. The Risk Management Program provides property, casualty, worker’s compensation, and unemployment insurance coverage to participating entities, which include parishes, schools, and various ecclesiastical agencies. Revenues are generated from property and casualty premiums charged to the participating entities. Funding for the worker’s compensation and unemployment insurance programs is currently provided by reserves held by the diocese, but this funding source will discontinue over the next four years and the participating entities will begin to be charged their respective portion of the program costs. Expenses include claims incurred and premiums for and catastrophic loss and excess coverages and various plan administration costs. Additionally, the P&C Trust is charged service fees from Management Corp for services provided.

Highlights: The net assets transferred into the P&C Trust from restructuring activities were $4.7 million, to establish the appropriate asset and liability balances. Net assets in the Trust increased by $345 thousand during the eight-month period ended June 30, 2018, due in part to lower than expected claims incurred.

The Diocese of Toledo Cemeteries Perpetual Care Trust (Perpetual Care Trust):

Overview: The Perpetual Care Trust holds assets for the long-term maintenance and care of the three cemetery locations of Cemeteries Corp. It is the obligation of the diocese to ensure the three cemeteries locations are cared for into perpetuity, which requires assets to be set aside to do so. Funding for the Perpetual Care Trust is provided in part by fees collected from each Cemeteries Corp sale, investment income, and contributions from the diocese. Expenses include investment management fees and charges from Management Corp for services provided.

Highlights: The net assets transferred into the Perpetual Care Trust from restructuring activities were $2.4 million. Net assets increase $93 thousand during the eight-month period ended June 30, 2018.

Financial Governance and Oversight:

The Finance Office of the diocese is committed to the highest standards of fiscal management, integrity, and accountability. It is the responsibility of the Finance Office to ensure that accounting policies, procedures, and internal controls are in place and followed in all material respects to safeguard the patrimony of the diocese and ensure that all
financial activity is accounted for properly. Financial oversight is provided by annual independent audits and the prudent governance of the Diocesan Finance Council and the following sub-committees: the Accounting and Audit Committee, the Investment Committee, and the Real Estate Committee. Please see the accompanying Finance Council Chairman’s Letter, which describes the functions of these governing bodies and a list of members.

The Financial Report that follows and the integrity of the underlying financial systems are the responsibility of the management of the diocese. The public accounting firm Plante Moran PLLC was engaged to perform an independent audit of the June 30, 2018 combined financial statements of The Roman Catholic Diocese of Toledo in America, along with the separate audit of the D&L Trust financial statements. Such audited reports follow.

Thank you for your continued interest in the financial health of the diocese and in the ministry work we do in support of our collective mission. We are grateful and blessed to have such a generous and committed Catholic faith community in the 19 counties of Northwest Ohio.

Sincerely Yours in Christ,

Philip A. Renda
Chief Operations and Finance Officer

Rene Schmiedbauer
Director of Finance