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, 2019 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. 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, 2019, encompasses the combined results of nine (9) 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, 2019. Full fiscal year financial statements were not available for the prior year ended June 30, 2018, due to the restructuring that occurred on November 1, 2017; therefore, comparable financial data was not included in this year’s Financial Report. 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 (recast July 1, 2019 into the Catholic Investment Trust), the Catholic Club, and Mareda, Inc., all of which publish their financial reports separately. These non-combined entities 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 nine 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. This Summary Report should be read in conjunction with the accompanying Financial Report as of June 30, 2019.

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 funds held at the former Catholic Foundation and other organizations. Funding to support temporal services (business and administrative) 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 increased $2.5 million during the twelve-month period ended June 30, 2019, due primarily to a combination of $1.9 million of proceeds from the Mareda Inc. property sale, $1.6 million of asset transfers from the former Catholic Foundation related to payment of past ACA funds collected, and offset by a $400 thousand asset write-off from donating the former St Anthony’s church to the City of Toledo Landbank. In April 2019, the Diocese sold five affordable housing properties through a related party entity Mareda Inc., and generated sale proceeds of $13.3 million, of which $6.6 million was allocated to other combined Diocesan entities and $4.7 million to several non-combined entities. These proceeds were used for varying purposes to include supporting social ministry needs, debt reduction, and honoring future obligations (as disclosed in Note 16 of the Financial Report). 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:** Management Corp revenue and expenses for the twelve-month period ended June 30, 2019, were $1.7 million and $1.6 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 315 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. Expenses 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: Net assets increased by $2.7 million for the twelve-month period ended June 30, 2019. This increase is due primarily to a $2.5 million gift from the Diocese to aid CCMT in eliminating existing debt. In addition, CCMT was the recipient of $270 thousand in bequests and donations to assist in covering cost to educate.

The Diocese of Toledo Cemeteries Corporation (Cemeteries Corp):

Overview: The Cemeteries Corp includes the operations of three diocesan cemetry 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. Cemeteries Corp is 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: Net assets increased $2.9 million for the twelve-month period ended June 30, 2019, due to a combination of a $4.0 million gift from the Diocese to sure-up current and future cemetery obligations, offset by sales revenues falling short of budget by $1.0 million and recording depreciation of $394 thousand. Actions are underway to enhance size and training of sales staff, as well as to 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, repair and other projects. The D&L Trust generates revenue from interest charged 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: Net assets increased $925 thousand during the twelve-month period ended June 30, 2019, due to a combination of interest income and unrealized gain on investments exceeding interest paid on deposits and costs to operate the D&L Trust.

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:** Net assets in the Health Benefit Trust increased by $368 thousand during the twelve-month period ended June 30, 2019, 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 the Management Corp 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, premiums for 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:** Net assets in the Trust increased by $491 thousand during the twelve-month period ended June 30, 2019, 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:** Net assets increase $609 thousand during the twelve-month period ended June 30, 2019.

**The Diocese of Toledo Cemeteries Pre-Need Cemetery Merchandise and Services Trust (Pre-Need Trust):**

**Overview:** The Pre-Need Trust was formed in May 1, 2019, and holds funds paid to the Cemetery Corp for cemetery burial contracts sold prior to the death of the person for whom the contract was purchased. Holding the funds as assets in the Trust, ensures the monies will be available to provide the delivery of the purchased merchandise and services when they are needed. Expenses of the Pre-Need Trust includes investment management fees and charges from Management Corp for services provided.
**Highlights:** The assets transferred into the Pre-Need Trust were $1.6 million. The assets in the Trust increased by $60 thousand the two-month period ended June 30, 2019.

**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, its sub-committees (Accounting and Audit, Investment, Real Estate), and other related advisory boards and committees. Please see the accompanying letter from the Chair of the Finance Council, which includes a list of the members and describes the functions of these governing bodies.

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, 2019 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 our diocese and the ministry work done to support our collective mission. We are grateful and blessed to have such a generous and committed Catholic faith community within the 19 counties that make up the Diocese of Toledo.

Sincerely Yours in Christ,

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Philip A. Renda
Chief Operations and Finance Officer

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Rene Schmidbauer
Director of Finance