



Diocese of Toledo

Summary Report from Diocesan Chief Finance Officer and Controller

This Summary Report is intended to be used in connection with a review of the audited June 30, 2020 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 Diocese of Toledo Pastoral Center offices, as well as other entities that provide important programs and services to the parish and school communities and other Catholic agencies throughout the 19 counties of Northwest Ohio.

The Financial Report as of June 30, 2020, encompasses the combined results of ten (10) entities and trusts, which are reported in the Supplemental Information included therein. While the trusts are all separate legal entities, they are included in this Financial Report for transparency and simplification purposes to benefit the reader. The Deposit & Loan Trust and the Catholic Investment Trust are included in these combined results, but also have separate audited financial reports as of June 30, 2020. 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 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 ten entities and trusts that comprise 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 funds held in the Deposit & Loan Trust and Catholic Investment 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, 2020.

The Diocese of Toledo in America (DOT):

Overview: The DOT includes various ministry services and pastoral activities coordinated from the Pastoral Center, and provided to parishes and schools throughout the diocese. These services and 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 ministries is provided by funds received from the Annual Catholic Appeal (ACA), funds held in the Catholic Investment Trust, and funds provided by other organizations and donors. 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 the 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 \$16.0 million for the year ended June 30, 2020, due to a combination of a transfer-in of investment assets, offset by lower parish assessments and ACA funds, and higher fees from the Diocese of Toledo Management Corporation (Management Corp). On July 1, 2019, the DOT transferred in \$18.8 million of investment assets (both with and without restrictions) from the former Catholic Foundation. These investment assets were held in the Catholic Foundation for the benefit of the DOT and its ministries, and were transferred to the DOT when the Foundation was dissolved on June 30, 2019 (see the Catholic Investment Trust section below and Note 10 of the Financial Report). As a result of the coronavirus pandemic (COVID), the DOT suspended collection of the 4th quarter parish assessments for a total of approximately \$800 thousand. Service fees charged by the Management Corp increased by approx. \$700 thousand, primarily as a result of staff and operational costs from forming the Office of Mission Advancement within the Management Corp (see the Management Corp 'Highlights' section below). Due to the impacts of COVID, the DOT reduced staff levels at the Pastoral Center offices by approximately 20% or \$650 thousand annually. Additionally, the DOT applied for and received a Paycheck Protection Program (PPP) loan through the Cares Act in the amount of \$933 thousand (\$328 thousand was allocated to Central City Ministries). The loan was received on April 20, 2020, and the loan forgiveness application was filed on December 16, 2020. Ongoing actions are underway to closely manage the DOT 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 year ended June 30, 2020, were each \$2.4

million. The revenue and expense totals are higher than the prior fiscal year by \$700 thousand, due to increased operating costs from forming the Office of Mission Advancement (OMA). Approximately \$519 thousand of the increase was for operating activities transferred from the former Catholic Foundation. The OMA was formed as a result of dissolving the former Catholic Foundation and advancing a Diocesan strategic plan initiative. The primary function of the OMA is to perform stewardship, development and fundraising services (including the ACA) on behalf of the Diocese and related entities. The OMA related expenses are charged to the DOT. Due to the impacts of COVID, the Management Corp applied for and received Paycheck Protection Program (PPP) loan through the Cares Act in the amount of \$265 thousand. The loan was received on April 20, 2020, and the loan forgiveness application was filed on December 16, 2020.

Central City Ministries (CCMT):

Overview: CCMT consists of two inner-city kindergarten thru 8th grade diocesan schools comprised of Queen of Apostles and Rosary Cathedral, with enrollment of approximately 310 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 decreased by \$404 thousand for the year ended June 30, 2020. This decrease is due primarily to lower student enrollment and a shortfall in raising the necessary private and public funding, and depreciation expense. Due to the impacts of COVID, CCMT qualified for and was allocated \$328 thousand from the DOT's PPP loan. The Office of Mission Advancement will assist CCMT in its development and fundraising efforts going forward.

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. Cemeteries Corp has 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 decreased by \$685 thousand for the twelve-month period ended June 30, 2020. This decrease is primarily the result of lower sales revenue not being sufficient to cover operating expenses, despite a \$312 thousand decrease in operating expenses. Sales revenue was down due to the

affects from COVID and sales staff turnover. Due to the impacts of COVID, the Cemeteries Corp applied for and received Paycheck Protection Program (PPP) loan through the Cares Act in the amount of \$150 thousand. The loan was received on April 20, 2020, and the loan forgiveness application was filed on December 16, 2020. 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, schools, 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 to borrowers on outstanding loans, as well as income from the investment portfolio. Expenses include 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 \$1.1 million for the year ended June 30, 2020, due to a combination of interest income and unrealized gains 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 (as of July 1, 2020 Anthem Blue Cross- Blue Shield) 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 \$1.1 million for the year ended June 30, 2020, due primarily 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 in part by reserves held by the Diocese, but this funding source will discontinue over the next two years at which point the participating entities will be charged 100% of 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 P&C Trust decreased by \$237 thousand during the year ended June 30, 2020, due primarily to higher than expected property 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 of the Perpetual Care Trust increased \$128 thousand for the year ended June 30, 2020.

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

Overview: The Pre-Need Trust 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 include investment management fees and charges from Management Corp for services provided. Such assets are reported as a liability to Cemetery Corp, resulting in no net assets being reported.

Highlights: The liability to Cemetery Corp amounted to \$1.7 million at June 30, 2020 and 2019.

The Diocese of Toledo Catholic Investment Trust (Investment Trust):

Overview: On June 30, 2019, the former Diocese of Toledo Catholic Foundation was dissolved, and the Investment Trust was formed on July 1, 2019 holding all related funds. The Investment Trust exists to receive gifts, bequests, legacies and donations from third parties, as well as funds from parishes, schools, and other diocesan entities to safeguard, administer and expend such contributions for the purposes established by the donor/account holder. Currently, 150 endowment and other trust accounts are held within the Investment Trust. Since all assets belong to the investing entities, the Investment

Trust has no net assets.

Highlights: Assets of the Investment Trust amounted to \$58.2 million at June 30, 2020, compared to the \$57.2 million of assets transferred to the Investment Trust on July 1, 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, and 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, 2020 combined financial statements of The Roman Catholic Diocese of Toledo in America, along with the separate audits of the Deposit & Loan Trust and Catholic Investment 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,



Philip A. Renda
Chief Operations and Finance Officer

01-21-21

Date



René Schmidbauer
Controller

01/21/2021

Date