



31 January 2017

**Report from the Chief Financial Officer  
(\$ in thousands)**

In a continuing spirit of accountability, disclosure and transparency, the financial reports related to the various Diocesan Funds are presented for review. In doing so, we are providing an overview of our stewardship of these Funds. The accompanying report addresses the four significant Funds as well as an important Benefit Plan within the Diocese of Toledo (the Diocese). As discussed in Bishop Thomas' letter, such Funds comprise the operating activities of the certain ministry offices of the Diocese as well as important programs that assist the parish communities and other Catholic agencies throughout northwestern Ohio.

I want to thank the members of the Diocesan Finance Council for the support and the ongoing assistance they provide to Bishop Thomas, Monsignor Kubacki, Vicar general, and me in the financial administration of the Diocese of Toledo (the Diocese). Also, the continued generosity from the faithful in sharing their time, treasure, and talents as we continue to foster Holy Disciples, Holy Families and Holy Vocations within the Diocese.

**General Fund**

The General Fund includes the ministerial activities within the Pastoral Center that serve parishes, schools and other Diocesan organizations by providing assistance in the administration of pastoral, educational and vocation services; discipleship and family life; and providing administrative support in the areas of finance, legal, human resources and communications.

Funding for Pastoral Center related expenses is provided by: the diocesan assessment, which is calculated as a percentage of Sunday and Holyday collections; pledges received from the Annual Catholic Appeal (ACA) and support from the Catholic Foundation. Expenses include personnel and other direct costs incurred related specifically to the mission or are support in nature.

**Central City Ministries of Toledo (CCMT)**

CCMT a central city kindergarten thru 8<sup>th</sup> grade Diocesan school comprised of Queen of Apostles and the Rosary Cathedral campuses, endeavors to prepare students to be responsible citizens who are followers of Christ by providing a strong academic and religious education to a diverse inner-city population focusing on personal growth and compassion for others.

Revenue results from student tuition, mandated services income, parish support, and from other development activities.

### **Insurance Fund**

The Insurance fund handles all insurance and risk management financial matters for the Diocese and its participating entities which includes parishes, schools and various ecclesiastical agencies. Specifically, the Fund accounts for the activities related to the Protective Self-insurance Program (PSI), the Healthcare Program, the Workers' Compensation Program and the Unemployment Insurance Program.

The Healthcare Program accounts for the self-insured program contracted with Medical Mutual and has specific stop loss coverage of \$250 per covered person and an unlimited annual maximum per person.

The PSI Program provides the property and liability insurance coverage under a single comprehensive plan for the diocese's parishes, schools and various related agencies. In addition, the assets of the PSI program assist in funding the special needs of the retired and infirmed priests of the Diocese. PSI covers catastrophic losses with the purchase of excess insurance coverage, limiting losses to \$100 casualty claim and \$150 per liability claim.

The Worker's Compensation Program provides worker's compensation claims for parishes, schools and related agencies. This program is managed by a third-party administrator. The Program has catastrophic loss excess insurance coverage with a \$400 deductible for each accident. Disease related claims also have a \$400 deductible. The coverage of accident or disease is statutory (no limit). Funding for the program is currently provided by investment returns.

The Unemployment Program is required to maintain the State of Ohio Unemployment Bond which is computed by the State of Ohio, based on payroll. Total coverage as of June 30, 2016 and June 30, 2015 was \$789. Similar to the Worker's Compensation Program, funding for the Unemployment Program is currently provided by investment returns.

### **Deposit and Loan Fund**

The Diocese recognizes that it is a communion of parishes who are called to work and assist one another in building the Kingdom of God throughout northwestern Ohio. An important element in this communion is the Deposit and Loan Fund. This Fund was established many years ago to provide parishes and other diocesan entities a means to obtain low cost financing for qualifying parish and agency projects. Specifically, not only does the Fund provide an attractive interest rate to both its depositors and its borrowers, it also does not charge the typical fees (i.e. appraisal, commitment or invoke repayment charges) that commercial financial institutions commonly impose on their borrowers. Specifically, this Fund receives deposits from parishes, schools, and agencies which

are maintained on an interest-bearing basis. These deposits are then available to loan to parishes and others within the diocesan community, usually at a stated rate of interest which is often less than what would be available from commercial lenders. Deposit and loan rates are reviewed by the Finance Council and are adjusted to reflect market conditions on an as needed basis. Rates at June 30, 2016 were 4% on notes receivable and 2% on notes payable/deposits.

By aggregating sufficient funds for efficient lending and investment purposes, the Diocese is also able to monitor payments and thereby guard against adverse actions by outside lenders.

### **Diocesan Catholic Cemeteries**

Diocesan Catholic Cemeteries generates revenues in the ordinary course of performing its ministry serving the faithful of the diocese. By burying the dead in conformity with Catholic teachings and comforting the bereaved, the staff of the Cemeteries teaches the faithful to look beyond earthly existence and thereby deepen their faith in eternal salvation and life everlasting in the Lord.

The Diocesan Catholic Cemeteries owns and 'operates the following cemeteries in the Toledo area: Calvary, Mount Carmel and Resurrection. The cemeteries provide appropriate products services and burial sites at the diocesan cemeteries, and offers counsel to parish cemeteries within the diocese.

### **Financial governance and oversight**

The financial office of the Diocese is committed to the highest standards of fiscal integrity and accountability. It is the responsibility of the Finance Office to ensure that accounting policies and procedures are being adhered to, and internal accounting controls are in place and operating to safeguard the patrimony of the Diocese and that all financial activity is accounted for properly. Financial oversight is provided by routine annual audits and the oversight of the Diocesan Finance Council, which is directly responsible to the Bishop.

The financial statements that follow and the integrity of the underlying financial systems are the responsibility of the Diocese. The public accounting firm of Plante Moran PLLC was engaged to perform an independent audit of each of the Funds financial statements and such audit reports follow.

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Thank you for your continued support of our Church. We are truly blessed to have the commitment and support of the faithful community here in northwest Ohio.

Sincerely,

A handwritten signature in black ink that reads "Walter Nevolis". The signature is written in a cursive style with a prominent initial "W".

Walter Nevolis, CPA  
Chief Financial Officer