
Deposit and Loan Trust of The Roman Catholic Diocese of Toledo in America

Financial Report
June 30, 2021

Deposit and Loan Trust of The Roman Catholic Diocese of Toledo in America

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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
Deposit and Loan Trust of The Roman
Catholic Diocese of Toledo in America

We have audited the accompanying financial statements of the Deposit and Loan Trust of The Roman Catholic Diocese of Toledo in America (the "Deposit and Loan Trust"), which comprise the statement of financial position as of June 30, 2021 and 2020 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Deposit and Loan Trust as of June 30, 2021 and 2020 and the results of its changes in its net assets and its cash flows for the years 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,
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Emphasis of Matter

As described in Note 2 to the financial statements, operations of the Deposit and Loan Trust have been impacted by the COVID-19 pandemic. Our opinion is not modified with respect to this matter.

Plante & Moreau, PLLC

December 9, 2021

Deposit and Loan Trust of The Roman Catholic Diocese of Toledo in America

Statement of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Restricted cash and cash equivalents	\$ 10,963,801	\$ 6,183,148
Accrued interest receivable from investments	120,439	121,344
Receivables from related parties (Note 5)	248,979	242,680
Investments (Note 8)	41,708,268	32,553,282
Notes receivable - Net of allowance (Note 4)	9,788,619	12,374,998
Total assets	\$ 62,830,106	\$ 51,475,452
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 41,894	\$ 55,812
Notes payable (Notes 4 and 5)	58,313,633	46,727,877
Total liabilities	58,355,527	46,783,689
Net Assets - Without donor restrictions - Board designated	4,474,579	4,691,763
Total liabilities and net assets	\$ 62,830,106	\$ 51,475,452

Deposit and Loan Trust of The Roman Catholic Diocese of Toledo in America

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2021 and 2020

	2021	2020
Changes in Net Assets without Donor Restrictions		
Revenue, gains, and other support:		
Interest in earnings of custody trust account	\$ 741,664	\$ 754,595
Interest Income - Notes receivable (Note 4)	419,259	700,580
Total revenue, gains, and other support	1,160,923	1,455,175
Expenses:		
Program services - Interest (Note 4)	493,392	793,562
Support services:		
Other administrative expenses	82,027	65,357
Management fees (Note 5)	55,349	64,090
Total expenses	630,768	923,009
Increase in Net Assets without Donor Restrictions - Before other items	530,155	532,166
Other Items - Net realized and unrealized (losses) gains on investments	(747,339)	631,411
(Decrease) Increase in Net Assets without Donor Restrictions	(217,184)	1,163,577
Net Assets without Donor Restrictions - Beginning of year	4,691,763	3,528,186
Net Assets without Donor Restrictions - End of year	\$ 4,474,579	\$ 4,691,763

Deposit and Loan Trust of The Roman Catholic Diocese of Toledo in America

Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
(Decrease) increase in net assets without donor restrictions	\$ (217,184)	\$ 1,163,577
Adjustments to reconcile (decrease) increase in net assets without donor restrictions to net restricted cash and cash equivalents from operating activities:		
Net realized and unrealized losses (gains) on investments	747,339	(631,411)
Changes in operating assets and liabilities that provided (used) restricted cash and cash equivalents:		
Accrued interest receivable from investments	905	10,830
Accounts payable	(13,918)	(12,621)
Net restricted cash and cash equivalents provided by operating activities	517,142	530,375
Cash Flows from Investing Activities		
Payments received on loans and notes receivable	3,618,752	3,526,203
Loans and notes receivable issued	(1,032,373)	(1,517,494)
Net purchases of investments	(9,902,325)	(7,728,516)
Net change in receivables from related parties	(6,299)	896,236
Net restricted cash and cash equivalents used in investing activities	(7,322,245)	(4,823,571)
Cash Flows from Financing Activities - Notes payable		
Issued	20,890,615	10,917,739
Repaid	(9,304,859)	(9,537,075)
Net restricted cash and cash equivalents provided by financing activities	11,585,756	1,380,664
Net Increase (Decrease) in Restricted Cash and Cash Equivalents	4,780,653	(2,912,532)
Restricted Cash and Cash Equivalents - Beginning of year	6,183,148	9,095,680
Restricted Cash and Cash Equivalents - End of year	\$ 10,963,801	\$ 6,183,148
Supplemental Cash Flow Information - Cash paid for interest	\$ 488,184	\$ 824,391

Deposit and Loan Trust of The Roman Catholic Diocese of Toledo in America

Notes to Financial Statements

June 30, 2021 and 2020

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. The Deposit and Loan Trust of The Roman Catholic Diocese of Toledo in America (the "Deposit and Loan Trust" or the "Trust") was established on November 1, 2017 as an autonomous pious foundation, according to the 1983 Code of Canon Law, to hold and invest funds deposited by parishes and related institutions of the Diocese. The investments of the Trust are held in a custody trust account administered by The Trust Company of Toledo, Ohio N.A., which also serves as trustee. These funds are invested on behalf of or loaned to parishes and related institutions of the Diocese.

All other operations of the Diocese are accounted for in other funds or entities.

Note 2 - Significant Accounting Policies

Restricted Cash and Cash Equivalents

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

Notes Receivable and Notes Payable

The 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 4.

Receivables from Related Parties

Receivables are due from the Diocese are operational in nature and are due on demand.

Investments

Investments are in debt securities and are carried at fair value. Fair value is based on quoted market prices. The appreciation or depreciation in market value is recognized as a credit or charge to revenue during the year. Gains and losses on sales of investments are determined based on the specific security sold. Interest and dividends are recorded on the accrual basis.

Investment income from interest and dividends for the years ended June 30, 2021 and 2020 was \$741,664 and \$754,595, respectively, and is included in interest in earnings of custody trust account on the statement of activities and changes in net assets.

The Trust 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 statement of financial position.

June 30, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Classification of Net Assets

Net assets of the Deposit and Loan Trust are classified based on the presence or absence of donor-imposed restrictions.

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 Trust.

Net assets without donor restrictions are designated for the loan and deposit program.

Revenue and Cost Recognition

The Trust records revenue, including interest and investment income, as it is earned. Expenses are recognized when incurred.

Income Taxes

The Diocese and Trust are not-for-profit organizations and are 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.

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.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis on the statement of activities and changes in net assets. Costs have been directly assigned between the program and support services, as determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Impact of Pandemic Outbreak

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. Known as COVID-19, the outbreak has impacted individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As a result, the Deposit and Loan Trust made available a total of \$2 million of interest-free emergency loans to all qualifying parishes and other related institutions through December 31, 2020. The Diocese has agreed to guarantee all emergency loans issued under the program. There was one outstanding emergency loan as of June 30, 2021 with a balance of \$173,444. There were no issued or outstanding emergency loans as of June 30, 2020.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 9, 2021, which is the date the financial statements were available to be issued.

Deposit and Loan Trust of The Roman Catholic Diocese of Toledo in America

Notes to Financial Statements

June 30, 2021 and 2020

Note 3 - Liquidity and Availability of Resources

The following reflects the Deposit and Loan Trust's financial assets as of June 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2021	2020
Restricted cash and cash equivalents	\$ 10,963,801	\$ 6,183,148
Accrued interest receivable from investments	120,439	121,344
Receivables from related parties	248,979	242,680
Investments	41,708,268	32,553,282
Notes receivable - Net of allowance	9,788,619	12,374,998
Financial assets - At year end	62,830,106	51,475,452
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions - Notes payable	58,313,633	46,727,877
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,516,473</u>	<u>\$ 4,747,575</u>

The Trust is required to maintain financial assets, which consist of cash and short-term investments, on hand to equal at least 5 percent of total notes payable of approximately \$2,900,000 and \$2,300,000 as of June 30, 2021 and 2020, respectively.

The Trust also realizes there could be unanticipated liquidity needs.

Note 4 - 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 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 2.00 percent through November 2019 and effective December 2019 through April 2020; the interest rate on the notes payable was 1.80 percent. Effective May 2020, the interest rate on notes payable decreased to 1.00 percent. Interest is due on a semiannual basis. The allowance for uncollectible notes is \$1,375,000 at June 30, 2021 and 2020. The Diocese has the authority to liquidate assets of the parishes and related institutions to collect notes receivable due to the Trust.

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, 2021 and 2020 to extend additional financing.

Interest income and expense on the above notes receivable and payable, which are included in the statement of activities and changes in net assets, totaled \$419,259 and \$493,392, respectively, for the year ended June 30, 2021. Interest income and expense on the above notes receivable and payable for the year ended June 30, 2020 are \$700,580 and \$793,562, respectively.

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, 2021 and 2020.

Deposit and Loan Trust of The Roman Catholic Diocese of Toledo in America

Notes to Financial Statements

June 30, 2021 and 2020

Note 4 - Notes to and from Parishes and Related Institutions (Continued)

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 Trust 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 were no balances written off during the years ended June 30, 2021 and 2020. There were no loans considered to be impaired at June 30, 2021 and 2020.

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, 2021 and 2020. Credit monitoring is done by evaluation of loan payment history and periodic financial statement review.

Note 5 - Related Party Transactions

Receivables from related parties are due from the Diocese. Included in notes payable are amounts due to the Diocese of \$8,993,043 and \$3,648,424 at June 30, 2021 and 2020, respectively, that are related to amounts transferred to the Trust to earn interest from various surplus activities.

During the years ended June 30, 2021 and 2020, the Trust paid \$55,349 and \$64,090, respectively, in management fees to the Diocese.

Note 6 - Functional Expenses

The Trust provides various services to its members. Expenses related to providing these services are as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Program services	\$ 493,392	\$ 793,562
General and administrative	137,376	129,447
Total functional expenses	<u>\$ 630,768</u>	<u>\$ 923,009</u>

Note 7 - Contingencies

From time to time, the Diocese and its related funds 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 Trust's financial position, results of operations, or cash flows.

Note 8 - 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 that the Deposit and Loan Trust has the ability to access.

Deposit and Loan Trust of The Roman Catholic Diocese of Toledo in America

Notes to Financial Statements

June 30, 2021 and 2020

Note 8 - Fair Value Measurements (Continued)

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 in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

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.

In instances where 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 Trust's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about the Trust's assets measured at fair value on a recurring basis at June 30, 2021 and 2020 and the valuation techniques used by the Trust to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2021				
	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, 2021
Assets				
Trading securities:				
U.S. corporate bonds	\$ -	\$ 9,054,717	\$ -	\$ 9,054,717
U.S. government bonds	-	32,653,551	-	32,653,551
Total assets	<u>\$ -</u>	<u>\$ 41,708,268</u>	<u>\$ -</u>	<u>\$ 41,708,268</u>
Assets Measured at Fair Value on a Recurring Basis at June 30, 2020				
	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, 2020
Assets				
Trading securities:				
U.S. corporate bonds	\$ -	\$ 7,860,563	\$ -	\$ 7,860,563
U.S. government bonds	-	24,692,719	-	24,692,719
Total assets	<u>\$ -</u>	<u>\$ 32,553,282</u>	<u>\$ -</u>	<u>\$ 32,553,282</u>

The fair value of U.S. corporate bonds and U.S. government obligations at June 30, 2021 and 2020 was determined primarily based on Level 2 inputs. The Trust estimates the fair value of these investments based on quoted prices for similar assets in active markets.