

**CATHOLIC INSTITUTE OF
GREENSBURG, PENNSYLVANIA**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

WITH

INDEPENDENT AUDITOR'S REPORT



MaherDuessel

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**CATHOLIC INSTITUTE OF
GREENSBURG, PENNSYLVANIA**

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditor's Report

Members of the Catholic Institute of Greensburg, Pennsylvania

activities and cash flows for the years then ended, and the related notes to the financial statements.

We have audited the accompanying financial statements of the Catholic Institute of Greensburg, Pennsylvania (Catholic Institute), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of

Management's Responsibility for the Financial Statements

Management of the Catholic Institute 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 Catholic Institute as of June 30, 2020 and 2019, and the 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.

Mahe Duessel

Pittsburgh, Pennsylvania
September 30, 2020

**CATHOLIC INSTITUTE OF
GREENSBURG, PENNSYLVANIA**

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 26,438	\$ 36,579
Investments:		
Mutual funds and money market funds	1,671,534	1,875,833
Government and corporate securities	32,375,625	34,209,704
Total investments	34,047,159	36,085,537
Loans receivable:		
Parishes	2,273,388	1,168,355
Schools	719,902	1,130,630
Other institutions	843,794	886,231
Total loans receivable	3,837,084	3,185,216
Interest receivable	89,058	91,540
Total Assets	\$ 37,999,739	\$ 39,398,872
Liabilities and Net Assets		
Liabilities:		
Deposits payable:		
Parishes	\$ 15,729,743	\$ 12,783,054
Schools	1,503,634	1,265,071
Cemeteries	4,687,175	4,776,387
Other institutions	237,670	246,555
Total deposits payable	22,158,222	19,071,067
Certificates of deposit - parishes	9,352,925	13,859,351
Certificates of deposit - schools	2,500,572	2,204,719
Certificates of deposit - cemeteries	809,179	844,112
Total certificates of deposit	12,662,676	16,908,182
Due to other Diocesan entities	23,538	24,538
Total Liabilities	34,844,436	36,003,787
Net Assets:		
Without donor restrictions	3,155,303	3,395,085
Total Liabilities and Net Assets	\$ 37,999,739	\$ 39,398,872

See accompanying notes to financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Revenues:		
Investment income:		
Dividends and interest	\$ 663,510	\$ 840,898
Net realized and unrealized gains (losses)	107,534	122,767
Less investment fees	(95,273)	(98,693)
Interest income from loans to parishes, schools, and other institutions	77,598	88,712
Total revenues	753,369	953,684
Expenses:		
Interest expense	510,343	601,634
Management and professional fees	94,467	92,557
Custodial fees	19,903	15,975
Total expenses	624,713	710,166
Excess of Revenues Over Expenses from Operations	128,656	243,518
Nonoperating Revenues and Expenses		
Special one-time grant	(368,438)	-
Change in Net Assets	(239,782)	243,518
Net Assets:		
Beginning of year	3,395,085	3,151,567
End of year	\$ 3,155,303	\$ 3,395,085

See accompanying notes to financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ (239,782)	\$ 243,518
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized/unrealized (gain) loss	(107,534)	(122,767)
Change in operating assets and liabilities:		
New loans issued	(1,614,039)	(665,508)
Interest charged to loan accounts	(77,598)	(88,712)
Loan payments received	1,039,769	900,689
Deposits received	3,528,379	5,157,442
Interest credited to deposit accounts	510,343	601,634
Deposits withdrawn	(5,197,073)	(4,541,159)
Interest receivable	2,482	4,405
Due to (from) other Diocesan entities	(1,000)	2,538
	(2,156,053)	1,492,080
Cash Flows From Investing Activities:		
Sale of investments	42,166,706	32,439,298
Purchase of investments	(40,020,794)	(33,928,535)
	2,145,912	(1,489,237)
Net Increase (Decrease) in Cash and Cash Equivalents	(10,141)	2,843
Cash and Cash Equivalents:		
Beginning of year	36,579	33,736
End of year	\$ 26,438	\$ 36,579
Supplemental Information:		
Cash paid for interest	\$ 510,343	\$ 601,634

See accompanying notes to financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies

Organization

The Catholic Institute of Greensburg, Pennsylvania (Catholic Institute) is a not-for-profit, tax-exempt corporation established by the Diocese of Greensburg (Diocese) as a lending and savings program for the mutual benefit of the parishes and other related entities. The financial operations of the Catholic Institute are managed by the Diocese. Parishes and other related entities deposit excess funds into the Catholic Institute and earn interest at a variable rate. Parishes may borrow from the Catholic Institute at a variable rate over various terms. The rates on deposits and loans at June 30, 2020 were 0.50% - 1.25%, and 0%, respectively. The rates on deposits and loans at June 30, 2019 were 1.50% - 2.45%, and 3.25%, respectively. The loans were priced at 0% for the period April 1, 2020 through June 30, 2020 only, due to the COVID-19 Pandemic. They repriced to 2.5% effective July 1, 2020.

Effective July 1, 1998, revised by-laws were adopted for the Catholic Institute. These by-laws provide for a three-tier management structure designed to enhance monitoring of policies and procedures and ensure effective accomplishment of its mission to serve the parishes and schools of the Diocese. Two levels of oversight are established by the by-laws: the Members and a Board of Trustees. The Members establish the philosophy, objectives, and purpose. The Board of Trustees exercises general management and monitors the ordinary business and affairs of the Catholic Institute.

The Board of Trustees is responsible for implementing policies and procedures that call for, among other things, variable interest rates for savings accounts and new loans. Also, the Board of Trustees selects and monitors the Catholic Institute's investment manager.

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recognized when the liabilities are incurred.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Allowance for Doubtful Accounts

Management of the Catholic Institute holds the opinion that all accounts and loans receivable are fully collectible. Accordingly, no allowance for doubtful accounts is included in the financial statements.

Concentration

At June 30, 2020, the Catholic Institute had three loans in its portfolio that account for more than 10% of its total loans. The loans are \$1,267,385 (33%), \$843,794 (22%), and \$548,663 (14%). At June 30, 2019, the Catholic Institute had four loans in its portfolio that account for more than 10% of its total loans. The loans were \$886,231 (28%), \$631,855 (20%), \$478,831 (15%), and \$403,377 (13%).

Investments

At June 30, 2020 and 2019, the Catholic Institute's investments consist of money market and governmental and short-duration-bond mutual funds which are recorded at fair value of \$1,671,534 and \$1,875,833, respectively. The Catholic Institute also owned government agencies, corporate bonds, and equities, which are recorded at fair market value of \$32,375,625 and \$34,209,704, respectively, at June 30, 2020 and 2019.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Statements of Cash Flows

Cash and cash equivalents include currency on hand and demand deposits with financial institutions. Investments in mutual funds and government agency investments are not considered cash equivalents.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Expenses

All expenses are directly charged. Interest expense and custodial fees represent the program expenses of the Catholic Institute. General and administrative expenses are incurred in form of management and professional fees.

Special One-Time Grant

On March 19, 2020, the Board of Trustees approved pandemic financial relief to the parishes in the form of a one-time grant from the accumulated net assets of the Catholic Institute. The grant was to pay one month of the parish's education assessment, in the amount of \$368,438.

Income Taxes

The Catholic Institute is listed in the Official Catholic Directory (OCD). All organizations listed in the OCD are exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. In accordance with generally accepted accounting principles, the Institute accounts for uncertain tax positions, if any, as required. Using this guidance, management has determined that there are no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Pending Accounting Standards Updates

The Financial Accounting Standards Board has issued amendments that will become effective in future years, including ASU 2016-13 (Financial Instruments – Credit Losses) and ASU 2018-13 (Changes to the Disclosure Requirements for Fair Value Measurement). These two amendments will become effective for the years ending June 30, 2023 and June 30, 2021, respectively. Management has not yet determined the impact of these amendments on the Catholic Institute's financial statements.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

2. Fair Value

In accordance with accounting requirements, recent guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices to active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under generally accepted accounting principles are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 from those used at June 30, 2019.

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YEARS ENDED JUNE 30, 2020 AND 2019

Mutual Funds and Money Markets: Valued at the actively traded value of shares held by the Catholic Institute at year-end.

Government Agencies, Corporate Bonds, and Equities: Valued at the quoted fair market value for securities held by the Catholic Institute at year-end.

Loans: Valued at the amortized balance at year-end. In the event of a closure of a parish or school, the obligation becomes the legal obligation of the successor entity.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Catholic Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following tables set forth by level, within the fair value hierarchy, the Catholic Institute's assets at fair value as of June 30, 2020 and 2019:

Assets at Fair Value as of June 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Short duration	\$ 1,033,485	\$ -	\$ -	\$ 1,033,485
Money market funds	2,380,598	-	-	2,380,598
Corporate bonds	21,366,476	-	-	21,366,476
US government securities	8,190,430	-	-	8,190,430
Equities	1,076,170	-	-	1,076,170
Loans outstanding	-	-	3,837,084	3,837,084
	<u>\$ 34,047,159</u>	<u>\$ -</u>	<u>\$ 3,837,084</u>	<u>\$ 37,884,243</u>

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NOTES TO FINANCIAL STATEMENTS

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Assets at Fair Value as of June 30, 2019

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,562,136	\$ -	\$ -	\$ 2,562,136
Corporate bonds	30,104,457	-	-	30,104,457
Agency bonds	3,418,944	-	-	3,418,944
Loans outstanding	-	-	3,185,216	3,185,216
	\$ 36,085,537	\$ -	\$ 3,185,216	\$ 39,270,753

The following table presents changes in the Catholic Institute's Level 3 investment assets measured at fair value on a recurring basis for the year ended June 30, 2020:

	Level 3 Assets
Balance, beginning of year	\$ 3,185,216
New loans	1,614,039
Interest	77,598
Payments	(1,039,769)
Balance, end of year	\$ 3,837,084

The following table presents changes in the Catholic Institute's Level 3 investment assets measured at fair value on a recurring basis for the year ended June 30, 2019:

	Level 3 Assets
Balance, beginning of year	\$ 3,331,685
New loans	665,508
Interest	88,712
Payments	(900,689)
Balance, end of year	\$ 3,185,216

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NOTES TO FINANCIAL STATEMENTS

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3. Commitments and Contingencies

A separate but related entity, the Diocese of Greensburg, received a grand jury subpoena in September 2016 (issued by the Pennsylvania Office of Attorney General (OAG)) seeking documents related to child sexual abuse in Diocesan possession. The subpoena was issued as part of a statewide criminal investigation being conducted by the OAG on the issue of child sexual abuse; the Diocese of Greensburg was one of six dioceses in the Commonwealth who received grand jury subpoenas. In response, the Diocese of Greensburg provided tens of thousands of pages of records to OAG. In April 2018, the grand jury concluded its work and issued an 884-page Grand Jury Report. After a number of individuals specifically identified in the Report lodged legal challenges to the accuracy and integrity of the Report, the State Supreme Court ordered the release of an interim, redacted version of the Grand Jury Report in August 2018. Appended to the Grand Jury Report is a written response from the Diocese. That response highlights the fact that the Diocese takes the protection of all children and young people seriously. Names and facts of any allegation of misconduct are (and will continue to be) reported immediately to the proper civil authorities. A longstanding policy of zero tolerance has been and continues to remain in place in the Diocese so that anyone who has a criminal history of child abuse or a credible allegation of child abuse has been removed from ministry, employment, or their volunteer position. Every report of suspected abuse of a child or young person – sexual, physical, and emotional – made to the Diocese is immediately reported to the PA ChildLine and the appropriate District Attorney.

In addition, in October 2018, that same but related entity, the Diocese of Greensburg, received a new federal grand jury subpoena issued by the United States Attorney's Office for the Eastern District of Pennsylvania, again seeking documents related to child sexual abuse in Diocesan possession. This federal subpoena was issued as part of a statewide criminal investigation being conducted by the United States Department of Justice on the issues of child sexual abuse. All eight Catholic rite dioceses in the Commonwealth received the same federal grand jury subpoena. The projected duration and ultimate outcome of this new federal investigation is unknown. Because of the secrecy obligations attendant to a grand jury investigation, the Diocese of Greensburg is prevented from providing further information about the investigation at this time.

The Diocese of Greensburg announced a Comprehensive Reconciliation Initiative (Initiative) in February, 2019, to help survivors of clergy sexual abuse. Although the Survivors' Compensation Program has since closed, the Initiative continues and is ongoing. The

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Diocese of Greensburg Self-Insurance Fund is absorbing the expense of this Initiative, and because Catholic Institute is a separate corporate entity, its assets would not be subject to the reach of the Diocese of Greensburg's general creditors.