

**CATHOLIC INSTITUTE OF
GREENSBURG, PENNSYLVANIA**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

WITH

INDEPENDENT AUDITOR'S REPORT



MaherDuessel

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**CATHOLIC INSTITUTE OF
GREENSBURG, PENNSYLVANIA**

YEARS ENDED JUNE 30, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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
October 26, 2021

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 377,351	\$ 26,438
Investments:		
Money market funds	876,524	1,671,534
Government and corporate securities and equities	37,426,818	32,375,625
Total investments	38,303,342	34,047,159
Loans receivable:		
Parishes	1,809,702	2,273,388
Schools	585,765	719,902
Other institutions	700,799	843,794
Total loans receivable	3,096,266	3,837,084
Interest receivable	106,055	89,058
Total Assets	\$ 41,883,014	\$ 37,999,739
Liabilities and Net Assets		
Liabilities:		
Deposits payable:		
Parishes	\$ 18,939,237	\$ 15,729,743
Schools	1,742,209	1,503,634
Cemeteries	5,084,766	4,687,175
Other institutions	243,549	237,670
Total deposits payable	26,009,761	22,158,222
Certificates of deposit - parishes	9,125,819	9,352,925
Certificates of deposit - schools	2,530,302	2,500,572
Certificates of deposit - cemeteries	746,592	809,179
Total certificates of deposit	12,402,713	12,662,676
Due to other Diocesan entities	18,000	23,538
Total Liabilities	38,430,474	34,844,436
Net Assets:		
Without donor restrictions	3,452,540	3,155,303
Total Liabilities and Net Assets	\$ 41,883,014	\$ 37,999,739

See accompanying notes to financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Revenues:		
Investment income:		
Dividends and interest	\$ 553,696	\$ 783,842
Net realized and unrealized gains (losses)	542,828	(12,798)
Less investment fees	(63,504)	(95,273)
Interest income from loans to parishes, schools, and other institutions	87,124	77,598
Total revenues	1,120,144	753,369
Expenses:		
Interest expense	262,475	510,343
Management and professional fees	96,659	94,467
Custodial fees	18,151	19,903
Total expenses	377,285	624,713
Excess of Revenues Over Expenses from Operations	742,859	128,656
Nonoperating Revenues and Expenses		
Special grant	(445,622)	(368,438)
Change in Net Assets	297,237	(239,782)
Net Assets:		
Beginning of year	3,155,303	3,395,085
End of year	\$ 3,452,540	\$ 3,155,303

See accompanying notes to financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 297,237	\$ (239,782)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized/unrealized (gain) loss	(542,828)	12,798
New loans issued	(197,162)	(1,614,039)
Interest charged to loan accounts	(87,124)	(77,598)
Loan payments received	1,025,104	1,039,769
Deposits received	6,053,005	3,528,379
Interest credited to deposit accounts	262,475	510,343
Deposits withdrawn	(2,723,904)	(5,197,073)
Change in operating assets and liabilities:		
Interest receivable	(16,997)	2,482
Due to (from) other Diocesan entities	(5,538)	(1,000)
	4,064,268	(2,035,721)
Cash Flows From Investing Activities:		
Sale of investments	30,104,432	42,046,374
Purchase of investments	(33,817,787)	(40,020,794)
	(3,713,355)	2,025,580
Net Increase (Decrease) in Cash and Cash Equivalents	350,913	(10,141)
Cash and Cash Equivalents:		
Beginning of year	26,438	36,579
End of year	\$ 377,351	\$ 26,438
Supplemental Information:		
Cash paid for interest	\$ 262,475	\$ 510,343

See accompanying notes to financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 were 0.50% - 1.25%, and 2.50%, respectively. The rates on deposits and loans at June 30, 2020 were 0.50% - 1.25%, and 0%, 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, 2021 AND 2020

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, 2021, the Catholic Institute had three loans in its portfolio that account for more than 10% of its total loans. The loans were \$1,234,848 (40%), \$700,799 (23%), and \$466,965 (15%). 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%).

Investments

At June 30, 2021 and 2020, the Catholic Institute's investments consist of money market funds which are recorded at fair value of \$876,524 and \$1,671,534, respectively. The Catholic Institute also owned government agencies, corporate bonds, and equities, which are recorded at fair market value of \$37,426,818 and \$32,375,625, respectively, at June 30, 2021 and 2020.

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, 2021 AND 2020

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 Grant

On March 19, 2020, the Board of Trustees approved pandemic financial relief to the parishes in the form of a 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. The Trustees issued another grant in June 2021, in the amount of \$445,622. This amount included \$355,622 for the parish's June education assessment as well as \$90,000 for endowments. Each parish and school received \$1,000 to either deposit into an existing endowment or establish an endowment.

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.

Reclassification

Certain items from the prior year have been reclassified to conform to the current year presentation. The reclassification had no effect on the change in net assets.

Accounting Standards Updates

The Financial Accounting Standards Board has issued an amendment, ASU 2016-13, "*Financial Instruments – Credit Losses*" that will become effective in the year ending June 30, 2023. Management has not yet determined the impact of this amendment on the Catholic Institute's financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

The Financial Accounting Standards Board issued an amendment, ASU 2018-13, “*Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*” that became effective for the year ended June 30, 2021. The amendment has been implemented and is reflected in Note 2.

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.

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.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 from those used at June 30, 2020.

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, 2021 and 2020:

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Assets at Fair Value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Short duration	\$ 1,536,892	\$ -	\$ -	\$ 1,536,892
Money market funds	1,314,510	-	-	1,314,510
Corporate bonds	23,641,215	-	-	23,641,215
US government securities	10,119,852	-	-	10,119,852
Equities	1,690,873	-	-	1,690,873
Loans outstanding	-	-	3,096,266	3,096,266
	<u>\$ 38,303,342</u>	<u>\$ -</u>	<u>\$ 3,096,266</u>	<u>\$ 41,399,608</u>

Assets at Fair Value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
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>

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, 2021:

	Level 3 Assets
Balance, beginning of year	\$ 3,837,084
New loans	197,162
Interest	87,124
Payments	<u>(1,025,104)</u>
Balance, end of year	<u>\$ 3,096,266</u>

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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	<u>(1,039,769)</u>
Balance, end of year	<u>\$ 3,837,084</u>

3. Commitments and Contingencies

The Diocese of Greensburg announced a Comprehensive Reconciliation Initiative (Initiative) in February, 2019, to help survivors of clergy sexual abuse, which included the adoption of a Survivors' Compensation Program. Although the Survivors' Compensation Program has since closed, the Initiative continues and is ongoing. The Initiative has resulted, to date, in settlements with approximately 75 survivors, totaling in excess of \$6 million. The Diocese of Greensburg Self-Insurance Fund is absorbing the expense of this Initiative, and because the Catholic Institute is a separate corporate entity, its assets would not be subject to the reach of the Diocese of Greensburg's general creditors.