CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

WITH

INDEPENDENT AUDITOR'S REPORT

MaherDuessel

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CATHOLIC INSTITUTE OF
GREENSBURG, PENNSYLVANIA

YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditor's Report

Members of the Catholic Institute
of Greensburg Pennsylvania

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Catholic Institute, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Catholic Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Catholic Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Catholic Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Maher Duessel

Pittsburgh, Pennsylvania
January 19, 2023

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 35,291	$ 377,351
Investments:		
Money market funds	263,168	876,524
Government and corporate securities and equities	36,701,593	37,426,818
Total investments	36,964,761	38,303,342
Loans receivable:		
Parishes	4,619,959	1,809,702
Schools	407,527	585,765
Other institutions	554,189	700,799
Total loans receivable	5,581,675	3,096,266
Interest receivable	90,236	106,055
Total Assets	$ 42,671,963	$ 41,883,014
Liabilities and Net Assets		
Liabilities:		
Deposits payable:		
Parishes	$ 18,853,443	$ 18,939,237
Schools	2,858,749	1,742,209
Cemeteries	5,384,538	5,084,766
Other institutions	245,813	243,549
Total deposits payable	27,342,543	26,009,761
Certificates of deposit - parishes	8,490,583	9,125,819
Certificates of deposit - schools	3,817,445	2,530,302
Certificates of deposit - cemeteries	855,841	746,592
Total certificates of deposit	13,163,869	12,402,713
Due to other Diocesan entities	21,000	18,000
Total Liabilities	40,527,412	38,430,474
Net Assets:		
Without donor restrictions	2,144,551	3,452,540
Total Liabilities and Net Assets	$ 42,671,963	$ 41,883,014

See accompanying notes to financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Operating Revenues:		
Investment income:		
Dividends and interest	$ 592,629	$ 553,696
Net realized and unrealized gains (losses)	(1,499,207)	542,828
Less investment fees	(85,544)	(63,504)
Interest income from loans to parishes, schools, and other institutions	109,490	87,124
Total revenues	(882,632)	1,120,144
Operating Expenses:		
Interest expense	302,874	262,475
Management and professional fees	101,490	96,659
Custodial fees	20,993	18,151
Total expenses	425,357	377,285
Excess (Deficiency) of Revenues Over Expenses from Operations	(1,307,989)	742,859
Nonoperating Revenues and Expenses:		
Special grant	-	(445,622)
Change in Net Assets	(1,307,989)	297,237
Net Assets:		
Beginning of year	3,452,540	3,155,303
End of year	$ 2,144,551	$ 3,452,540

See accompanying notes to financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	$ (1,307,989)	$ 297,237
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized/unrealized (gain) loss	1,499,207	(542,828)
New loans issued	(3,310,942)	(197,162)
Interest charged to loan accounts	(109,490)	(87,124)
Loan payments received	935,023	1,025,104
Deposits received	6,289,345	6,053,005
Interest credited to deposit accounts	302,874	262,475
Deposits withdrawn	(4,498,281)	(2,723,904)
Change in operating assets and liabilities:		
Interest receivable	15,819	(16,997)
Due to (from) other Diocesan entities	3,000	(5,538)
Net cash provided by (used in) operating activities	(181,434)	4,064,268
Cash Flows From Investing Activities:		
Sale of investments	42,283,907	30,104,432
Purchase of investments	(42,444,533)	(33,817,787)
Net cash provided by (used in) investing activities	(160,626)	(3,713,355)
Net Increase (Decrease) in Cash and Cash Equivalents	(342,060)	350,913
Cash and Cash Equivalents:		
Beginning of year	377,351	26,438
End of year	$ 35,291	$ 377,351
Supplemental Information:		
Cash paid for interest	$ 302,874	$ 262,475

See accompanying notes to financial statements.

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, 2022 were 0.75% - 1.50%, and 2.75%, respectively. The rates on deposits and loans at June 30, 2021 were 0.50% - 1.25%, and 2.50%, 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.

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, 2022, the Catholic Institute had two loans in its portfolio that account for more than 10% of its total loans. The loans are $3,085,704 (55%), and $1,154,691 (21%). 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%).

Investments

At June 30, 2022 and 2021, the Catholic Institute's investments consist of money market funds which are recorded at fair value of $263,168 and $876,524, respectively. The Catholic Institute also owned government agencies, corporate bonds, and equities, which are recorded at fair value of $36,701,593 and $37,426,818, respectively, at June 30, 2022 and 2021.

Risks and Uncertainties

Financial instruments, which potentially expose the Catholic Institute to concentrations of credit risk, include investments in marketable securities. Concentration of credit risk for investments in marketable securities is mitigated by overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such change could materially affect the amount reported on the statements of financial position.

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.

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

The Board of Trustees issued a grant in June 2021, in the amount of $445,622. This amount included $355,622 for all 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.

Accounting Standards Update

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.

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.

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, 2022 from those used at June 30, 2021.

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, 2022 and 2021:

Assets at Fair Value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Short duration	$ 729,128	$ -	$ -	$ 729,128
Money market funds	2,638,755	-	-	2,638,755
Corporate bonds	22,784,046	-	-	22,784,046
US government securities	8,033,156	-	-	8,033,156
Equities	2,779,676	-	-	2,779,676
Loans outstanding	-	-	5,581,675	5,581,675
	$ 36,964,761	$ -	$ 5,581,675	$ 42,546,436

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
	$ 38,303,342	$ -	$ 3,096,266	$ 41,399,608

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, 2022:

	Level 3 Assets
Balance, beginning of year	$ 3,096,266
New loans	3,310,942
Interest	109,490
Payments	(935,023)
Balance, end of year	$ 5,581,675

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	(1,025,104)
Balance, end of year	$ 3,096,266

3. Commitments and Contingencies

The Diocese 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 80 survivors, totaling in excess of $8 million. The Diocese 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's general creditors.