CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

WITH

INDEPENDENT AUDITOR'S REPORT

MaherDuessel

Pursuing the profession while promoting the public good©

www.md-cpas.com

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

YEARS ENDED JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

MaherDuessel

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, 2023 and 2022, 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, 2023 and 2022, 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. 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 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 generally accepted auditing standards, 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
October 27, 2023

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 8,054	$ 35,291
Investments:		
Money market funds	1,968,380	263,168
Government and corporate securities and equities	37,174,263	36,701,593
Total investments	39,142,643	36,964,761
Loans receivable:		
Parishes	4,270,314	4,619,959
Schools	265,374	407,527
Other institutions	405,097	554,189
Total loans receivable	4,940,785	5,581,675
Interest receivable	178,218	90,236
Total Assets	$ 44,269,700	$ 42,671,963
Liabilities and Net Assets		
Liabilities:		
Deposits payable:		
Parishes	$ 18,723,995	$ 18,853,443
Schools	3,230,989	2,858,749
Cemeteries	6,225,170	5,384,538
Other institutions	244,726	245,813
Total deposits payable	28,424,880	27,342,543
Certificates of deposit - parishes	9,054,358	8,490,583
Certificates of deposit - schools	3,769,873	3,817,445
Certificates of deposit - cemeteries	872,041	855,841
Total certificates of deposit	13,696,272	13,163,869
Due to other Diocesan entities	21,000	21,000
Total Liabilities	42,142,152	40,527,412
Net Assets:		
Without donor restrictions	2,127,548	2,144,551
Total Liabilities and Net Assets	$ 44,269,700	$ 42,671,963

See accompanying notes to financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating Revenues:		
Investment income:		
Dividends and interest	$ 1,218,897	$ 592,629
Net realized and unrealized gains (losses)	(613,436)	(1,499,207)
Less investment fees	(81,987)	(85,544)
Interest income from loans to parishes, schools, and other institutions	146,989	109,490
Total revenues	670,463	(882,632)
Operating Expenses:		
Interest expense	564,360	302,874
Management and professional fees	103,703	101,490
Custodial fees	19,403	20,993
Total expenses	687,466	425,357
Change in Net Assets	(17,003)	(1,307,989)
Net Assets:		
Beginning of year	2,144,551	3,452,540
End of year	$ 2,127,548	$ 2,144,551

See accompanying notes to financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	$ (17,003)	$ (1,307,989)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized/unrealized (gain) loss	613,436	1,499,207
New loans issued	(161,104)	(3,310,942)
Interest charged to loan accounts	(146,989)	(109,490)
Loan payments received	948,983	935,023
Deposits received	6,975,374	6,289,345
Interest credited to deposit accounts	564,360	302,874
Deposits withdrawn	(5,924,994)	(4,498,281)
Change in operating assets and liabilities:		
Interest receivable	(87,982)	15,819
Due to (from) other Diocesan entities	-	3,000
Net cash provided by (used in) operating activities	2,764,081	(181,434)
Cash Flows From Investing Activities:		
Sale of investments	28,698,410	42,283,907
Purchase of investments	(31,489,728)	(42,444,533)
Net cash provided by (used in) investing activities	(2,791,318)	(160,626)
Net Increase (Decrease) in Cash and Cash Equivalents	(27,237)	(342,060)
Cash and Cash Equivalents:		
Beginning of year	35,291	377,351
End of year	$ 8,054	$ 35,291
Supplemental Information:		
Cash paid for interest	$ 564,360	$ 302,874

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, 2023 were 1.30% - 2.25%, and 4.50%, respectively. The rates on deposits and loans at June 30, 2022 were 0.75% - 1.50%, and 2.75%, respectively.

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, 2023, the Catholic Institute had two loans in its portfolio that account for more than 10% of its total loans. The loans were $2,824,757 (57%) and $1,055,363 (21%). 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%).

Investments

At June 30, 2023 and 2022, the Catholic Institute's investments consist of money market funds which are recorded at fair value of $1,968,380 and $263,168, respectively. The Catholic Institute also owned government agencies, corporate bonds, and equities, which are recorded at fair value of $37,174,263 and $36,701,593, respectively, at June 30, 2023 and 2022.

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.

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, 2024. Management does not expect the impact of this amendment on the Catholic Institute’s financial statements to be significant.

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.

The 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, 2023 from those used at June 30, 2022.

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 the 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, 2023 and 2022:

Assets at Fair Value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Short duration	$ 1,242,866	$ -	$ -	$ 1,242,866
Money market funds	2,647,621	-	-	2,647,621
Corporate bonds	22,864,855	-	-	22,864,855
US government securities	9,668,517	-	-	9,668,517
Equities	2,718,784	-	-	2,718,784
Loans outstanding	-	-	4,940,785	4,940,785
	$39,142,643	$ -	$ 4,940,785	$44,083,428

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

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, 2023:

	Level 3 Assets
Balance, beginning of year	$ 5,581,675
New loans	161,104
Interest	146,989
Payments	(948,983)
Balance, end of year	$ 4,940,785

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

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.