

**CATHOLIC INSTITUTE OF
GREENSBURG, PENNSYLVANIA**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

WITH

INDEPENDENT AUDITOR'S REPORT



MaherDuessel

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CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

YEARS ENDED JUNE 30, 2024 AND 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 24, 2024

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 6,346	\$ 8,054
Investments:		
Money market funds	3,602,467	1,968,380
Government and corporate securities and equities	39,059,353	37,174,263
Total investments	42,661,820	39,142,643
Loans receivable:		
Parishes	4,043,153	4,270,314
Schools	251,996	265,374
Other institutions	237,910	405,097
Total loans receivable	4,533,059	4,940,785
Interest receivable	279,117	178,218
Total Assets	\$ 47,480,342	\$ 44,269,700
Liabilities and Net Assets		
Liabilities:		
Deposits payable:		
Parishes	\$ 16,953,045	\$ 18,723,995
Schools	3,628,556	3,230,989
Cemeteries	5,972,186	6,225,170
Other institutions	215,830	244,726
Total deposits payable	26,769,617	28,424,880
Certificates of deposit - parishes	12,122,908	9,054,358
Certificates of deposit - schools	3,880,232	3,769,873
Certificates of deposit - cemeteries	1,437,816	872,041
Total certificates of deposit	17,440,956	13,696,272
Due to other Diocesan entities	21,000	21,000
Total Liabilities	44,231,573	42,142,152
Net Assets:		
Without donor restrictions	3,248,769	2,127,548
Total Liabilities and Net Assets	\$ 47,480,342	\$ 44,269,700

See accompanying notes to financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Operating Revenues:		
Investment income:		
Dividends and interest	\$ 1,706,306	\$ 1,218,897
Net realized and unrealized gains (losses)	400,047	(613,436)
Less investment fees	(85,650)	(81,987)
Interest income from loans to parishes, schools, and other institutions	148,968	146,989
Total revenues	2,169,671	670,463
Operating Expenses:		
Interest expense	922,634	564,360
Management and professional fees	108,162	103,703
Custodial fees	17,654	19,403
Total expenses	1,048,450	687,466
Change in Net Assets	1,121,221	(17,003)
Net Assets:		
Beginning of year	2,127,548	2,144,551
End of year	\$ 3,248,769	\$ 2,127,548

See accompanying notes to financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,121,221	\$ (17,003)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized/unrealized (gain) loss	(400,047)	613,436
New loans issued	(178,013)	(161,104)
Interest charged to loan accounts	(148,968)	(146,989)
Loan payments received	734,707	948,983
Deposits received	5,874,290	6,975,374
Interest credited to deposit accounts	922,634	564,360
Deposits withdrawn	(4,707,503)	(5,924,994)
Change in operating assets and liabilities:		
Interest receivable	(100,899)	(87,982)
Net cash provided by (used in) operating activities	3,117,422	2,764,081
Cash Flows From Investing Activities:		
Sale of investments	17,890,246	28,698,410
Purchase of investments	(21,009,376)	(31,489,728)
Net cash provided by (used in) investing activities	(3,119,130)	(2,791,318)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,708)	(27,237)
Cash and Cash Equivalents:		
Beginning of year	8,054	35,291
End of year	\$ 6,346	\$ 8,054
Supplemental Information:		
Cash paid for interest	\$ 922,634	\$ 564,360

See accompanying notes to financial statements.

CATHOLIC INSTITUTE OF GREENSBURG, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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, 2024 were 2.0% - 3.75%, and 4.0%, respectively. The rates on deposits and loans at June 30, 2023 were 1.30% - 2.25%, and 4.50%, 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 Credit Losses

The allowance for credit losses estimate is derived from a review of the Catholic Institute's historical losses based on the aging of accounts and loans receivable. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

forecasts regarding future events, and any other factors deemed relevant by the Catholic Institute. Management of the Catholic Institute has determined that zero credit loss is expected on accounts and loans receivable. Accordingly, no allowance for credit losses is included in the financial statements.

At June 30, 2024 and 2023, the Catholic Institute has no past due loans receivables. As part of the ongoing monitoring of the credit quality of the loan portfolio, management, together with the Board of Trustees, reviews the status of each individual loan on a quarterly basis. At the same time, any concern regarding the financial condition of the borrowers is discussed to identify any loans that need to be monitored more frequently. Criteria for obtaining a loan include, but are not limited to: cash flow of the entity and its ability to meet current obligations, financial condition of the entity and any past loan performance.

Concentration

At June 30, 2024, the Catholic Institute had two loans in its portfolio that account for more than 10% of its total loans. The loans are \$2,557,627 (56%), and \$1,019,117 (22%). 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%).

Investments

At June 30, 2024 and 2023, the Catholic Institute's investments consist of money market funds which are recorded at fair value of \$3,602,467 and \$1,968,380, respectively. The Catholic Institute also owned government agencies, corporate bonds, and equities, which are recorded at fair value of \$39,059,353 and \$37,174,263, respectively, at June 30, 2024 and 2023.

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

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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.

At various times throughout the years, cash balances may be maintained in excess of the federally insured limits for the years ended June 30, 2024 and 2023. The deposits were held at various financial institutions. The solvency of the financial institutions is monitored by management and is not a concern at this time.

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 the 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.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

Adopted Accounting Standard

The provisions of this Standard Update have been adopted and incorporated into these financial statements:

ASU 2016-13, *“Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.”* These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

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.

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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, 2024 from those used at June 30, 2023.

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

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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, 2024 and 2023:

Assets at Fair Value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Short duration	\$ 1,267,960	\$ -	\$ -	\$ 1,267,960
Money market funds	4,427,272	-	-	4,427,272
Corporate bonds	20,761,279	-	-	20,761,279
US government securities	13,303,742	-	-	13,303,742
Equities	2,901,567	-	-	2,901,567
Loans outstanding	-	-	4,533,059	4,533,059
	<u>\$42,661,820</u>	<u>\$ -</u>	<u>\$ 4,533,059</u>	<u>\$47,194,879</u>

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
	<u>\$39,142,643</u>	<u>\$ -</u>	<u>\$ 4,940,785</u>	<u>\$44,083,428</u>

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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, 2024:

	Level 3 Assets
Balance, beginning of year	\$ 4,940,785
New loans	178,013
Interest	148,968
Payments	<u>(734,707)</u>
Balance, end of year	<u>\$ 4,533,059</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, 2023:

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

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.
