
Parish Savings and Loan Trust

Financial Report
June 30, 2021

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Independent Auditor's Report

To the Most Reverend Earl Boyea
and George Landolt
Parish Savings and Loan Trust

We have audited the accompanying financial statements of Parish Savings and Loan Trust (the "Trust"), which comprise the balance sheet as of June 30, 2021 and 2020 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management 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 Parish Savings and Loan Trust as of June 30, 2021 and 2020 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

December 7, 2021

Parish Savings and Loan Trust

Balance Sheet

June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 9,587,088	\$ 6,905,660
Accounts receivable	440	74,544
Investments	82,451,426	66,581,846
Accrued interest receivable	42,906	74,466
Loans - Parishes, schools, and other - Net of allowance for doubtful loans of \$3,564,790 and \$1,988,792 at June 30, 2021 and 2020, respectively	10,837,865	16,060,884
Total assets	<u>\$ 102,919,725</u>	<u>\$ 89,697,400</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 966,454	\$ 314,127
Parishes, schools, and other deposits	91,749,408	81,084,619
Total liabilities	92,715,862	81,398,746
Net Assets - Without donor restrictions	10,203,863	8,298,654
Total liabilities and net assets	<u>\$ 102,919,725</u>	<u>\$ 89,697,400</u>

Parish Savings and Loan Trust

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in Net Assets without Donor Restrictions		
Revenue and other support:		
Dividend income	\$ 273,049	\$ 455,401
Net realized and unrealized gains on investments	5,041,842	1,065,289
Interest income - Net	<u>1,640,035</u>	<u>1,508,658</u>
Total revenue and other support	6,954,926	3,029,348
Expenses:		
Distributions to depositors	2,485,095	1,880,191
Operational expenses	420,030	221,794
Bad debt and loan forgiveness	<u>2,144,592</u>	<u>814,458</u>
Total expenses	<u>5,049,717</u>	<u>2,916,443</u>
Increase in Net Assets without Donor Restrictions	1,905,209	112,905
Net Assets - Beginning of year	<u>8,298,654</u>	<u>8,185,749</u>
Net Assets - End of year	<u><u>\$ 10,203,863</u></u>	<u><u>\$ 8,298,654</u></u>

Parish Savings and Loan Trust

Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,905,209	\$ 112,905
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Bad debt and loan forgiveness	2,144,592	814,458
Gain on investments	(5,041,842)	(1,065,289)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable	74,104	(21,112)
Accrued interest receivable	31,560	(34,088)
Prepaid expenses and other assets	-	28,311
Accounts payable	652,327	289,789
Deposits	10,664,789	11,989,133
Net cash and cash equivalents provided by operating activities	10,430,739	12,114,107
Cash Flows from Investing Activities		
Purchases of investments	(11,319,305)	(23,970,203)
Proceeds from sales and maturities of investments	491,567	7,285,548
Proceeds from loan payments	4,037,959	6,589,209
Issuance of loans	(959,532)	(2,279,801)
Net cash and cash equivalents used in investing activities	(7,749,311)	(12,375,247)
Net Increase (Decrease) in Cash and Cash Equivalents	2,681,428	(261,140)
Cash and Cash Equivalents - Beginning of year	6,905,660	7,166,800
Cash and Cash Equivalents - End of year	\$ 9,587,088	\$ 6,905,660

June 30, 2021 and 2020

Note 1 - Nature of Business

Parish Savings and Loan Trust (the "Trust") is a not-for-profit organization located in Michigan, certified in the state of Delaware as a Delaware Trust in 2018. Parish Savings and Loan Trust's Ecclesiastical Trustee is charged with assuring the Trust's transparency in operations and accountability to the people of the Catholic Diocese of Lansing, Michigan. The Trust is engaged in the savings of funds from and loans to diocesan units, which are related parties. The Trust provides savings and loan services primarily in the central area of lower Michigan.

Note 2 - Significant Accounting Policies

Cash Equivalents

The Trust considers all investments with an original maturity of three months or less when purchased to be cash equivalents. However, this excludes any cash that is included in the Trust's investment portfolio.

Accounts Receivable

Accounts receivable consist of amounts due from related parties.

Concentrations of Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Trust's deposits may not be returned to it. At year end, a significant portion of the Trust's cash balance was held at one financial institution and exceeds the Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes that, due to the dollar amounts of cash deposits and the type of accounts held, it is impractical to insure all deposits.

Investments

Investments are stated at fair value. Investment income is recorded when earned.

Loans

Loans receivable are reported at the original issue amount plus accrued interest, less principal repaid. Interest is recognized according to terms of the specific loans. Loans made to diocesan units range from \$5,000 to \$3,100,000 and have varying maturities of 5 to 20 years, and the majority bear an interest rate of 4.5 and 5.0 percent during 2021 and 2020, respectively. At June 30, 2021 and 2020, two individual parishes have loans that represent more than 41 and 38 percent of the outstanding loans.

The Trust considers loans and receivables to be impaired when, based upon current information and events, the Trust believes it is probable that it will be unable to collect all amounts due. The allowance for doubtful loans is reviewed annually and is considered adequate to cover potentially uncollectible loans at June 30, 2021 and 2020.

Parishes, Schools, and Other Deposits

Parishes, schools, and other deposits are composed of funds held by the Trust for depositors within individual accounts. The funds deposited with the Trust are invested. Fixed-rate interest of 2.0 and 2.5 percent for the years ended June 30, 2021 and 2020, respectively, is allocated to depositor accounts and is recognized within distributions to depositors expense.

Classification of Net Assets

Net assets of the Trust are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Trust.

June 30, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Tax Status

The Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and the Trust is a religious entity, which is exempt from tax filings; therefore, a provision for income taxes has not been included in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Trust invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 7, 2021, which is the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following presents information about the Trust's assets measured at fair value on a recurring basis at June 30, 2021 and 2020 and the valuation techniques used by the Trust to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Trust has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Trust's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

June 30, 2021 and 2020

Note 3 - Fair Value Measurements (Continued)

At June 30, 2021 and 2020, all investments were held in a Michigan Catholic Conference investment pool and were valued based on Level 2 inputs. The total investments balance held at Michigan Catholic Conference was \$82,451,426 and \$66,581,846 at June 30, 2021 and 2020, respectively. The assets held by the Michigan Catholic Conference investment pool consist of investments in mutual funds, equity securities, fixed-income securities, and money markets for which an active market exists.

Note 4 - Functional Expenses

The Trust provides various services to its members. Expenses related to providing these services are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Program services:		
Distributions to depositors	\$ 2,485,095	\$ 1,880,191
Bad debt and loan forgiveness	2,144,592	814,458
Total program services	<u>4,629,687</u>	<u>2,694,649</u>
General and administrative - Contracted services	<u>420,030</u>	<u>221,794</u>
Total	<u>\$ 5,049,717</u>	<u>\$ 2,916,443</u>

Note 5 - Liquidity and Availability of Resources

The following reflects the Trust's financial assets as of June 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 9,587,088	\$ 6,905,660
Accounts receivable	440	74,544
Investments	82,451,426	66,581,846
Accrued interest receivable	42,906	74,466
Loans - Parishes, schools, and other - Net	<u>10,837,865</u>	<u>16,060,884</u>
Financial assets - At year end	102,919,725	89,697,400
Less those unavailable for general expenditures within one year due to contractual restrictions - Funds held in agency for others	<u>91,749,408</u>	<u>81,084,619</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,170,317</u>	<u>\$ 8,612,781</u>

While the full amounts of loans may not be collected within one year, the same holds true for funds held in agency for others. Due to the nature of the business, the Trust is engaged in the savings from and loans to diocesan units. The Trust would not expect to disburse the funds held in agency for others within one year. The current portion of the loans due is \$1,521,982 and \$1,847,833 at June 30, 2021 and 2020, respectively.

The Trust has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Trust also realizes there could be unanticipated liquidity needs.

Note 6 - Commitments

The Bishop of the Catholic Diocese of Lansing had a bond issued for the benefit of Father Gabriel Richard High School (the "School"). Previously, the Diocese provided an irrevocable letter of credit with a bank related to the bond for the benefit of Father Gabriel Richard High School. Effective April 15, 2021, the debt was refinanced with a different financial institution for \$5,928,888, payable through 2028, and Parish Savings and Loan Trust was named as the guarantor of the loan. The School is a related party of the Trust, as described in Note 1. As of June 30, 2021, the outstanding balance on this bond issue was \$5,928,888. Currently, the School is making all payments due on the bonds and all related expenses.

An appropriate liability will be recognized if a possibility reasonably exists that the School entity will not be able to meet their obligations of this debt, and resources covered in this statement would need to be used to service the debt. Should this occur, the Trust could seek to recover those amounts from the School.

Note 7 - Contingent Liabilities

The Trust is contingently liable in respect to litigation and claims incidental to the ordinary course of its operations. In the opinion of management, based on its consultation with legal counsel, the amount of loss, if any, is unknown at this time. Therefore, no provision has been made in the accompanying financial statements for losses that might result from the ultimate disposition of these matters.