The Parish Savings and Loan Trust

Financial Report

June 30, 2018

Contents

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Independent Auditor's Report

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

We have audited the accompanying financial statements of The Parish Savings and Loan Trust (the "Trust"), which comprise the balance sheet as of June 30, 2018 and the related statements of activities and changes in net assets, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Parish Savings and Loan Trust as of June 30, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

April 30, 2019

Balance Sheet

	June 30, 2018
Assets	
Cash and cash equivalents	$ 6,555,422
Accounts receivable	70,778
Investments (Note 3)	41,320,596
Accrued interest receivable	293,679
Loans - Parishes, schools, and other - Net of allowance for doubtful loans of $1,330,495	26,056,302
Total assets	**$ 74,296,777**
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued liabilities	$ 128,841
Parishes, schools and other deposits	66,428,746
Total liabilities	66,557,587
Net Assets - Unrestricted designated net assets	7,739,190
Total liabilities and net assets	**$ 74,296,777**

See notes to financial statements.

The Parish Savings and Loan Trust

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2018
Changes in Unrestricted Net Assets	
Revenue and other support:	
Dividend income	$ 91,364
Net realized and unrealized loss on investments	(92,694)
Interest income	616,585
Total revenue and other support	615,255
Expenses:	
Distributions to depositors	474,727
Operational expenses	40,330
Recovery of bad debt	(200,000)
Total expenses	315,057
Increase in Unrestricted Net Assets - Before transfer	300,198
Transfer from the Catholic Diocese of Lansing (Note 4)	7,438,992
Increase in Net Assets	7,739,190
Net Assets - Beginning of year	-
Net Assets - End of year	**$ 7,739,190**

Statement of Cash Flows

	Year Ended June 30, 2018
Cash Flows from Operating Activities	
Increase in net assets	$ 7,739,190
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:	
Net asset transfer from the Diocese of Lansing	(7,438,992)
Loss on investments	92,694
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:	
Accounts receivable	(70,778)
Accrued interest receivable	(114,128)
Accounts payable	128,841
Deposits	5,745,117
Net cash and cash equivalents provided by operating activities	6,081,944
Cash Flows from Investing Activities	
Purchases of investments	(325,056)
Proceeds from sales of investments	2,398,815
Proceeds from loan repayments	668,807
Issuance of loans	(2,770,211)
Cash received from the Diocese of Lansing related to transfer	501,123
Net cash and cash equivalents provided by investing activities	473,478
Net Increase in Cash and Cash Equivalents	6,555,422
Cash and Cash Equivalents - Beginning of year	-
Cash and Cash Equivalents - End of year	**$ 6,555,422**
Significant Noncash Transactions	
Investments	$ 43,487,049
Loans	23,954,898
Accrued interest receivable	179,551
Deposits	(60,683,629)

Note 1 - Nature of Business

The Parish Savings and Loan Trust (the "Trust") is a not-for-profit organization established in the state of Michigan in 2018. The 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 Diocese. The Trust is engaged in the savings of funds from, and loans to diocesan units. The Trust provides savings and loan services primarily in the central area of lower Michigan. All loans and deposit balances previously held by the Catholic Diocese of Lansing Savings and Loan Program were transferred to the Trust effective March 1, 2018, and the statement of activities and changes in net assets and statement of cash flows reflect activity after the effective date.

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 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 $5,100,000 and have varying maturities of 5 to 20 years, and the majority bear an interest rate of 5.0 percent during 2018. At June 30, 2018, an individual parish has loans that represent more than 18 percent of the outstanding loans. Interest was paid on deposits at a rate of 2.5 percent during 2018.

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, 2018.

Classification of Net Assets

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

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired or been fulfilled.

Earnings, gains, and losses on restricted net assets are classified as unrestricted 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.

Note 2 - Significant Accounting Policies (Continued)

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.

Upcoming Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Trust, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Trust's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Trust has determined the effects of the new standard on the financial statements will include additional disclosures on liquidity and availability of resources and additional information on the natural classification of functional expenses.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 30, 2019, 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 and liabilities measured at fair value on a recurring basis at June 30, 2018 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 or liabilities 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 and liabilities 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 or liability. 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 or liability.

Note 3 - Fair Value Measurements (Continued)

In instances whereby 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 or liability.

At June 30, 2018, all investments were held in a Michigan Catholic Conference investment pool and were valued based on Level 2 inputs. Total investments balance held at Michigan Catholic Conference is $41,320,596. 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 - Net Asset Transfers

Effective March 1, 2018, the Trust received a transfer of net assets from the Catholic Diocese of Lansing, a related party, primarily consisting of investment, deposit, and loan balances related to the Savings and Loan Program. The Trust will administer the Savings and Loan Program for the benefit of trust participants. Total net asset transfers received was $7,438,992.

Note 5 - Functional Expenses

Direct program expenses for the year ended June 30, 2018 totaled $274,727. General and administrative expenses for the year ended June 30, 2018 totaled $40,330. Indirect costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Note 6 - 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.