

**DIOCESE OF KALAMAZOO  
PARISH DEPOSIT & LOAN FUND TRUST**

**FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2024 and 2023**

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# SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

The Most Reverend Edward M. Lohse, Bishop of Kalamazoo  
Diocese of Kalamazoo Parish Deposit & Loan Fund Trust

### Opinion

We have audited the accompanying financial statements of the Diocese of Kalamazoo Parish Deposit & Loan Fund Trust (a nonprofit organization) (the "Trust"), which comprise the statements of financial position as of June 30, 2024 and 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Kalamazoo Parish Deposit & Loan Fund Trust as of June 30, 2024 and 2023, and the changes in its net assets and 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 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 error or fraud.

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 Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditors' 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 auditors' 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 Trust'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 Trust'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.

*Seber Tans, PLC*

Seber Tans, PLC  
Kalamazoo, Michigan  
February 26, 2025

**Diocese of Kalamazoo Parish Deposit & Loan Fund Trust**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current Assets		
Cash	\$ 3,675,495	\$ 4,711,508
Revolving loans receivable	2,077,634	2,048,296
Accounts receivable	10,351	-
Total Current Assets	<u>5,763,480</u>	<u>6,759,804</u>
Investments	<u>23,585,326</u>	<u>20,070,597</u>
<b>Total Assets</b>	<b><u><u>\$ 29,348,806</u></u></b>	<b><u><u>\$ 26,830,401</u></u></b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable to related parties	\$ 6,114	\$ 5,590
Deposit liabilities	29,342,692	26,824,811
<b>Total Liabilities</b>	<u>29,348,806</u>	<u>26,830,401</u>
Net Assets	<u>-</u>	<u>-</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 29,348,806</u></u></b>	<b><u><u>\$ 26,830,401</u></u></b>

See Accompanying Notes to the Financial Statements

**Diocese of Kalamazoo Parish Deposit & Loan Fund Trust**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended June 30, 2024 and 2023**

	2024	2023
Revenues		
Loan interest income	\$ 48,304	\$ 65,320
Investment interest and dividends	637,576	467,435
Total Revenues	<u>685,880</u>	<u>532,755</u>
Expenses		
Investment advisor and bank fees	85,924	79,035
Administrative expenses	69,637	66,671
Total Expenses	<u>155,561</u>	<u>145,706</u>
Change in Net Assets Before Other Income and Allocation of Earnings or Losses	530,319	387,049
Other income - Net appreciation of investments	<u>2,311,725</u>	<u>1,403,207</u>
Change in Net Assets Before Allocation of Earnings or Losses	2,842,044	1,790,256
Allocation of Earnings	<u>2,842,044</u>	<u>1,790,256</u>
<b>Change in Net Assets</b>	-	-
Net Assets at Beginning of Year	<u>-</u>	<u>-</u>
<b>Net Assets at End of Year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Accompanying Notes to the Financial Statements

**Diocese of Kalamazoo Parish Deposit & Loan Fund Trust**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized gain on investments	(1,302,900)	(1,718,402)
Changes in assets and liabilities which impacted cash:		
Accounts receivable	(10,351)	-
Accounts payable	524	220
Net Cash Used in by Operating Activities	<u>(1,312,727)</u>	<u>(1,718,182)</u>
<b>Cash Flows from Investing Activities</b>		
Net funds received from (disbursed to) parishes via revolving loans	(29,338)	858,430
Sales of investments	82,924	76,036
Purchases of investments	<u>(2,294,753)</u>	<u>(423,073)</u>
Net Cash (Used in) Provided by Investing Activities	<u>(2,241,167)</u>	<u>511,393</u>
<b>Cash Flows from Financing Activities</b>		
Net deposits received from parishes	<u>2,517,881</u>	<u>1,055,322</u>
<b>Net Change in Cash</b>	<b>(1,036,013)</b>	<b>(151,467)</b>
Cash at Beginning of Year	<u>4,711,508</u>	<u>4,862,975</u>
<b>Cash at End of Year</b>	<b><u>\$ 3,675,495</u></b>	<b><u>\$ 4,711,508</u></b>

See Accompanying Notes to the Financial Statements

**Diocese of Kalamazoo Parish Deposit & Loan Fund Trust**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**NOTE A – Summary of Significant Accounting Policies**

Organization Purpose

The Diocese of Kalamazoo Parish Deposit & Loan Fund Trust (the “Trust”) operates a Deposit and Loan Fund that accepts excess reserves from the parishes of the Diocese of Kalamazoo (the “Diocese”) and either invests or loans these funds to other parishes of the Diocese for construction and renovation projects.

The Trust loans or invests in accordance with its by-laws for the benefit of the participating Parishes, Schools, or other organizations. The Trust does not have an ownership interest in the Trust assets. Therefore, the accompanying financial statements do not report net assets for the Trust. All assets are due to the participating Parishes.

The Trust does not have any employees. The Diocesan staff provide administrative and support services to the Trust for which the Diocese charges an annual fee of 0.25 percent of assets.

These financial statements are not intended to, and do not, reflect the activities of the Roman Catholic Diocese of Kalamazoo as a whole.

Basis of Presentation and Income Allocation

The financial statements of the Trust have been prepared on the accrual basis of accounting. Revenues consisting of interest and dividends are recognized when earned. Realized gains and losses are recognized when incurred. Unrealized gains and losses are recognized based on changes in the fair value of investments. Expenses are recorded when incurred. The monthly net activity of the Trust is allocated to the participating Parishes based on each Parish’s percentage of average monthly deposits outstanding to the total outstanding deposits of the Trust.

As of June 30, 2024 and 2023, all funds held by the Trust were deposited by participating organizations; therefore, the accompanying financial statements do not report net assets of the Trust.

Cash Equivalents and Concentrations

For purposes of the statement of cash flows, the Trust considers deposit accounts and instruments with original maturity of three months or less to be included with cash balances. However, cash balances held by investment managers are classified with investments in the accompanying financial statements.

The Trust maintains most of its cash balances at one financial institution. The bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Trust had approximately \$3,425,000 in excess of the insured limits as of June 30, 2024.

Revolving Loans Receivable

Loans to parishes were made at annual interest rates of 2.5 percent. Interest is recorded on an accrual basis. All loans receivable are uncollateralized. Payments greater than 180 days delinquent would be considered past due and placed on non-accrual status. As of June 30, 2024, management considers all outstanding receivable to be current and no allowance for uncollectible accounts has been recorded.

**Diocese of Kalamazoo Parish Deposit & Loan Fund Trust**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

Investments and Investment Income

Investments consist of cash and mutual funds held in the National Catholic Investment Pool (the “Investment Pool”). The Michigan Catholic Conference (“MCC”) is the administrator of the Investment Pool. The assets of the Investment Pool are held by the Northern Trust Company (“Custodian”) and are managed by independent investment managers.

The Investment Pool’s funds consist of fixed income and equity securities. Funds are stated at fair value based on their closing values as reported on a national securities exchange.

Deposit Liabilities

Deposit liabilities represent amounts due to parishes, who receive monthly allocations of the underlying investment’s net activity (income or loss). The deposits may be withdrawn by the parishes at any time.

Functional Allocation of Expenses

The Trust’s sole activity is the operation of a deposit and loan fund. Given the nature of the Trust’s activities, all costs are directly incurred for either investment related activities or for general and administrative expenses. Therefore, the Trust does not have allocated costs. Additionally, since the Diocese performs all administration for the Trust and charges them an administrative fee, the statement of activities presents all expenses incurred by the Trust by natural category and function.

Income Taxes

In a determination letter dated March 25, 1946, and updated annually since that time, the Internal Revenue Service ruled that all organizations listed in The Official Catholic Directory are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Diocese is listed in the current edition of The Official Catholic Directory and, therefore, is exempt from federal income taxes. As a service provider to the Diocese, the Trust is exempt from federal income taxes under Section 501(c)(3). The Diocese has evaluated relevant criteria and determined that no significant contingencies exist with regard to the Trust’s tax positions.

Risk

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

Additionally, some investments held by the Trust are invested in the securities of foreign companies, which involve special risks and considerations not typically associated with investing in securities of U.S. companies. These risks include devaluation of currencies, and less reliable, possible adverse, political and economic developments. Moreover, securities of many foreign companies and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. companies.

**Diocese of Kalamazoo Parish Deposit & Loan Fund Trust**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of management’s estimates. These estimates affect the amounts reported in the financial statements and the disclosures provided. Actual results may differ from management’s estimates.

Change in Accounting Principle

The Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, in June 2016. The standard replaced the incurred loss impairment methodology with a new methodology that reflects current expected credit losses ("CECL") on financial assets, including receivables and certain off balance sheet commitments. The new methodology requires the measurement of all expected credit losses based on historical experience, current economic conditions, and reasonable and supportable forecasts. The standard also expands the required quantitative and qualitative disclosures for expected credit losses. On July 1, 2023, the Organization adopted the standard using a modified retrospective method. As a result of this adoption, there was no changes to beginning of year net assets.

Subsequent Events

Management has evaluated subsequent events through February 26, 2025, the date on which the financial statements were available to be issued.

**NOTE B – Liquidity and Availability of Resources**

The Trust has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations are due. Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprised the following as of June 30:

	2024	2023
Cash	\$ 3,675,495	\$ 4,711,508
Investments	23,585,326	20,070,597
Financial assets available to meet cash needs for general purposes within one year	<u>\$ 27,260,821</u>	<u>\$ 24,782,105</u>

While management realizes there could be unanticipated liquidity needs, they believe that the financial assets in the table above are sufficient to meet operating needs within a minimum of one year of the statement of financial position date. The Trust’s loans receivable balance shown on the accompanying statement of financial position is comprised of various loans. The loans are primarily not available to meet current obligations of the Trust given the structure of the lending agreements. Additionally, although all deposit liabilities are payable on demand, management believes it is highly unlikely that all depositors would demand repayment.

**Diocese of Kalamazoo Parish Deposit & Loan Fund Trust**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**NOTE C – Investments**

The markets' impact on the Trust's investments, as presented on the statements of activities, comprises the following for the years ended June 30:

	2024	2023
Net realized gain (loss) on investments sold	\$ 1,008,825	\$ (315,195)
Net unrealized gain on investments held	1,302,900	1,718,402
Net appreciation of investments	\$ 2,311,725	\$ 1,403,207

**NOTE D – Financial Instruments and 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 hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). In instances whereby inputs used to measure fair value fall into different levels of the 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.

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.

Fair values determined by Level 3 inputs use other inputs that are not observable due to 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 which take into account the characteristic of the asset or liability.

The Trust's policy is to recognize transfers amongst the different levels of the fair value hierarchy as of the end of the reporting period. There were no transfers amongst the fair value classifications during the years ended June 30, 2024 and 2023.

**Diocese of Kalamazoo Parish Deposit & Loan Fund Trust**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

**NOTE D – Financial Instruments and Fair Value Measurements (Continued)**

The following table summarizes the valuation of the Trust's financial instruments by the aforementioned valuation categories at June 30, 2024:

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
Investment Pool:				
Cash and cash equivalents	\$ 1,987	\$ 1,987	\$ -	\$ -
Mutual funds:				
Boyd Watterson Short Term Bond	8,320,599	-	8,320,599	-
Breckinridge	2,506,407	2,506,407	-	-
Diamond Hill Large Cap Value	4,543,779	4,543,779	-	-
Lazard International	44,108	44,108	-	-
Palisade Capital Small/Mid Cap	2,223,053	2,223,053	-	-
Rhumblin International	1,131,020	1,131,020	-	-
William Blair Growth	4,814,373	4,814,373	-	-
Total Investments	<u>\$ 23,585,326</u>	<u>\$ 15,264,727</u>	<u>\$ 8,320,599</u>	<u>\$ -</u>

The following table summarizes the valuation of the Trust's financial instruments by the aforementioned valuation categories at June 30, 2023:

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
Investment Pool:				
Cash and cash equivalents	\$ 1,086	\$ 1,086	\$ -	\$ -
Mutual funds:				
Blackrock Intermediate Bond	6,710,042	-	6,710,042	-
Boyd Watterson Short Term Bond	1,996,649	1,996,649	-	-
Diamond Hill Large Cap Value	3,931,112	3,931,112	-	-
Lazard International	23,461	23,461	-	-
Palisade Capital Small/Mid Cap	1,922,401	1,922,401	-	-
Rhumblin International	1,008,381	1,008,381	-	-
William Blair Growth	4,477,465	4,477,465	-	-
Total Investments	<u>\$ 20,070,597</u>	<u>\$ 13,360,555</u>	<u>\$ 6,710,042</u>	<u>\$ -</u>

The fair value of certain mutual funds is determined primarily based on Level 2 inputs. The Trust estimates the fair value of these securities using quoted prices for identical or similar assets in active markets, with additional consideration to contractual cash flows, benchmark yields, and credit spreads.

**Diocese of Kalamazoo Parish Deposit & Loan Fund Trust**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**NOTE E – Related Party Transactions**

The Diocese of Kalamazoo (the “Diocese”)

The Trust operates a Deposit and Loan Fund that accepts excess reserves from the parishes of the Diocese and either invests or loans these funds to other parishes of the Diocese for construction and renovation projects. The Diocesan staff provide administrative and support services to the Trust for which the Diocese charges an annual fee of 0.25 percent of assets. As of June 30, 2024 and 2023, the Trust has accounts payable to the Diocese of \$6,114 and \$5,590, respectively, for outstanding administrative fees owed. Total fees charged by the Diocese during the years ended June 30, 2024 and 2023, totaled \$69,637 and \$66,671, respectively.