

Financial Statements and Report of  
Independent Certified Public  
Accountants

**Inter-Parish Loan Fund, Inc.**

June 30, 2023 and 2022

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Trustees of  
Inter-Parish Loan Fund, Inc.

**Opinion**

We have audited the financial statements of Inter-Parish Loan Fund, Inc. ("IPLF, Inc."), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IPLF, Inc. as of June 30, 2023 and 2022, and the results of 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 of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). 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 IPLF, Inc. 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 IPLF, Inc.'s ability to continue as a going concern for one year after the date 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 US GAAS 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 US GAAS, 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 IPLF, Inc.'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 IPLF, Inc.'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.

*Grant Thornton LLP*

Arlington, Virginia  
November 27, 2023

**Inter-Parish Loan Fund, Inc.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Cash and cash equivalents</b>	\$ 49,063,646	\$ 38,653,623
<b>Investments</b>	65,641,033	64,354,934
Total cash and investments	114,704,679	103,008,557
<b>Loan receivables from Archdiocesan parishes and schools, net of allowance of \$0 at June 30, 2023 and 2022</b>	4,705,119	5,211,284
<b>Agency funds held for others</b>	30,261,059	26,371,203
Total assets	<b>\$ 149,670,857</b>	<b>\$ 134,591,044</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Demand deposits payable to Archdiocesan parishes and schools	\$ 119,909,363	\$ 108,112,860
Agency funds held for others	30,261,059	26,371,203
Total liabilities	150,170,422	134,484,063
<b>Net (deficit) assets, without donor restrictions</b>	(499,565)	106,981
Total liabilities and net assets	<b>\$ 149,670,857</b>	<b>\$ 134,591,044</b>

The accompanying notes are an integral part of these financial statements.

**Inter-Parish Loan Fund, Inc.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Years ended June 30,**

	<b>2023</b>	<b>2022</b>
<b>Revenue, gains and other income</b>		
Interest on outstanding loans	\$ 217,584	\$ 249,601
Investment earnings	2,290,355	1,046,672
Realized loss	(247,899)	(16,466)
Unrealized loss	(373,902)	(2,503,077)
	1,886,138	(1,223,270)
<b>Grants and expenses</b>		
Management and banking fees	127,157	606,962
Interest on demand deposits	2,365,527	483,280
	2,492,684	1,090,242
	(606,546)	(2,313,512)
<b>CHANGE IN NET ASSETS</b>		
<b>Net assets, beginning of year</b>	106,981	2,420,493
<b>Net assets, end of year</b>	\$ (499,565)	\$ 106,981

The accompanying notes are an integral part of these financial statements.

Inter-Parish Loan Fund, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,

	<b>2023</b>		
	<b>Program Service</b>	<b>Management and General</b>	<b>Total Expenses</b>
Management and banking fees	\$ 127,157	\$ -	\$ 127,157
Interest on demand deposits	2,365,527	-	2,365,527
Total expenses	<u>\$ 2,492,684</u>	<u>\$ -</u>	<u>\$ 2,492,684</u>

  

	<b>2022</b>		
	<b>Program Service</b>	<b>Management and General</b>	<b>Total Expenses</b>
Management and banking fees	\$ 356,962	\$ 250,000	\$ 606,962
Interest on demand deposits	483,280	-	483,280
Total expenses	<u>\$ 840,242</u>	<u>\$ 250,000</u>	<u>\$ 1,090,242</u>

The accompanying notes are an integral part of these financial statements.

**Inter-Parish Loan Fund, Inc.**

**STATEMENTS OF CASH FLOWS**

**Years ended June 30,**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ (606,546)	\$ (2,313,512)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized loss on investments	373,902	2,503,077
Realized loss on investments	247,899	16,466
Change in operating assets and liabilities:		
(Increase) decrease in agency funds held for others	(3,889,856)	8,896,755
Decrease in loan receivable	506,165	5,742,583
Increase (decrease) in agency funds and liabilities to related entities	3,889,856	(8,896,755)
	521,420	5,948,614
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	25,339,555	15,841,005
Purchase of investments	(27,247,460)	(28,767,512)
	(1,907,905)	(12,926,507)
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities:</b>		
Proceeds from deposits payable to Archdiocesan entities	42,398,311	32,526,376
Principal payments on deposits payable to Archdiocesan entities	(30,601,803)	(13,332,779)
	11,796,508	19,193,597
<b>Net cash provided by financing activities</b>		
<b>NET INCREASE IN CASH</b>	10,410,023	12,215,704
<b>Cash, beginning of year</b>	38,653,623	26,437,919
<b>Cash, end of year</b>	\$ 49,063,646	\$ 38,653,623

The accompanying notes are an integral part of these financial statements.



**Inter-Parish Loan Fund, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

**NOTE 1 - ORGANIZATION**

Inter-Parish Loan Fund, Inc. (“IPLF, Inc.” or the “Fund”) was established on July 1, 2011 to provide depository, investment, and financing services and assistance to parishes, schools and institutions affiliated with the Roman Catholic Archbishop of Baltimore. The mission of IPLF, Inc. is to provide parishes and schools of the Archdiocese of Baltimore with a good, safe, and stable return on their deposits while providing funds to parishes and schools as needed for capital projects. IPLF, Inc. is incorporated in the State of Maryland and is organized and at all times shall be operated exclusively for religious, charitable, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code (“IRC”).

The Board of Trustees is authorized to provide all rules, policies, and procedures necessary to establish and administer the program. Rates offered on both deposits and loans are set at levels competitive with commercial banks, and are approved by the Board of Trustees. IPLF, Inc. currently engages the Central Services of the Roman Catholic Archbishop of Baltimore, a corporation sole of the State of Maryland (“Central Services”) to provide certain administration functions in exchange for administrative fees.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

***Use of Estimates and Judgments***

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of bank deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and have original maturities of three months or less from the date of purchase.

***Investments***

Investments are stated at fair value based on quoted market prices. The Board of Trustees has established an investment policy with a priority of preserving principal and has delegated authority to the Archdiocesan Investment Committee to monitor performance and ensure proper asset allocation and diversification. The fair values of investment accounts held as of June 30, 2023 and 2022 are:

	<u>2023</u>	<u>2022</u>
Short-term marketable securities	<u>\$ 65,641,033</u>	<u>\$ 64,354,934</u>

**Inter-Parish Loan Fund, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

***Loan Receivables***

Typical IPLF, Inc. loans have variable interest rates with repayment terms of 120 months. Loans may be prepaid at any time without incurring any fees and are automatically re-financed if additional principal of \$10,000 or more is paid. Loans are limited to capital projects of parishes, schools and affiliates of the Archdiocese of Baltimore. During fiscal years 2023 and 2022, interest rates averaged 4.35% and 3.50%, respectively. Central Services reviews each loan on a quarterly basis and provides an allowance for those loans where collection appears doubtful.

Loan receivables consist of the following as of June 30:

	2023	2022
Less than one year	\$ 309,439	\$ 414,629
One to five years	1,681,756	2,223,105
Over five years	2,713,924	2,573,550
Gross loan receivable	4,705,119	5,211,284
Allowance for uncollectible loans	-	-
Net loan receivables	\$ 4,705,119	\$ 5,211,284

It is the policy of IPLF, Inc. to record a bad debt expense if circumstances regarding a specific loan make it more likely than not that a portion of the principal may be uncollected. If such conditions warrant, management will estimate the likely loss and reserve this amount.

***Agency Assets Held for Others***

During 2016, IPLF, Inc. became a custodian in an investment program that is administered by a commercial bank for parishes, schools, and affiliates of the Archdiocese to utilize. IPLF, Inc. does not have any variance power in terms of the use of these investments or any economic interest. IPLF, Inc. relies on a third-party investment professional to review investment performance and recommend any changes, if necessary, to available investment options. The value of these assets is also accounted for as a liability on the statements of financial position. The liability is considered a Level 2 instrument within the fair value measurements table. IPLF, Inc. receives no investment income or records any changes on the statements of activities and changes in net assets relating to their agency assets.

***Demand Deposits Payable to Archdiocesan Parishes and Schools***

Eligible participants who have made deposits to IPLF, Inc. are beneficial owners of the assets held in trust. IPLF, Inc. will pay to Certificate Holders interest on deposits at a rate that shall be determined and adjusted from time to time by the Board of Trustees. Absent extraordinary circumstances, the interest rate shall not be less than the average rate on a 90-day Treasury bill determined as of the first day of the most recently completed calendar quarter. During fiscal years 2023 and 2022, the interest rates paid on deposits averaged 1.9% and 0.5%, respectively. Although the payables are due on demand, Archdiocesan policy requires parishes to keep excess funds in IPLF, Inc.

***Interest***

Interest income and expense are recognized on the statements of activities and changes in net assets by applying the applicable rate to the outstanding daily balance and compounded at the end of each month.

**Inter-Parish Loan Fund, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

***Fair Value of Financial Instruments***

Cash and Cash Equivalents and Investments

The carrying amount for cash and cash equivalents and investments approximates fair value. The fair value for investments is based on quoted market prices. Income from cash and cash equivalents and investments are included in investment income without donor restrictions unless the income is restricted by express donor stipulations. All income is reported net of investment related expenses.

Fair Value Measurement

The Financial Accounting Standards Board (“FASB”) Topic 820, under the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market;
- Level 2 - Fair value is based on pricing inputs other than quoted prices in active markets and which are either directly or indirectly observable as of the reporting date. The nature of these securities includes investments for which quoted prices are available but traded less frequently than securities traded on what are deemed active markets; and
- Level 3 - Pricing of securities are unobservable as of the reporting date. The inputs used to determine fair value are not observable and require significant management judgment or estimation.

IPLF, Inc. endeavors to utilize the best available information in measuring fair value. The following tables summarize the valuation of IPLF, Inc.’s financial instruments by authoritative pricing levels as of June 30, 2023 and 2022:

	Fair Value Measurements		
	Level 1	Level 2	Total
At June 30, 2023			
Cash equivalents	\$ 2,647,535	\$ -	\$ 2,647,535
Fixed income	21,300,536	41,692,962	62,993,498
Total investments	\$ 23,948,071	\$ 41,692,962	\$ 65,641,033
Agency assets held for others	\$ 25,616,982	\$ 4,644,077	\$ 30,261,059

**Inter-Parish Loan Fund, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

	Fair Value Measurements		
	Level 1	Level 2	Total
At June 30, 2022			
Cash equivalents	\$ 2,046,256	\$ -	\$ 2,046,256
Fixed income	15,050,148	47,258,530	62,308,678
Total investments	\$ 17,096,404	\$ 47,258,530	\$ 64,354,934
Agency assets held for others	\$ 22,348,849	\$ 4,022,354	\$ 26,371,203

IPLF, Inc. currently has no other financial instruments subject to fair value measurement on a recurring basis. Fixed income assets are comprised of government and asset backed securities and corporate bonds. The agency assets are primarily comprised of money market and mutual funds, equities, government securities, and corporate and municipal bonds.

***Income Taxes***

IPLF, Inc. is exempt from most federal income taxes under Section 501(c)(3) of the IRC through its inclusion in United States Conference of Catholic Bishops (“USCCB”) group ruling and listing in the Official Catholic Directory.

IPLF, Inc. follows the accounting guidance for uncertainties in income tax positions, which requires that a tax position be recognized or not recognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. IPLF, Inc. has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. As of June 30, 2023, management has determined that IPLF, Inc. has no material uncertain tax positions that would require recognition or disclosure in the accompanying financial statements.

***Risk Management***

IPLF, Inc. has exposure to credit, liquidity, and market risk from financial instruments.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation of commitment that it has entered into with IPLF, Inc., resulting in a financial loss to the Fund. Given the nature of IPLF, Inc., the majority of investments made with IPLF, Inc. will consist of loans to eligible participants. The eligible participants, including parishes, schools and affiliates of the Archdiocese, subject the fund to credit risk.

The Board of Trustees relies on two controls to mitigate credit risk: (i) strong controls on the process of approving and beginning capital projects; and (ii) adequate oversight and knowledge of the participant and the capital project prior to approval of the loan.

Key Processes and Controls Regarding Loans

- (a) Loans may only be for approved capital projects,
- (b) Loans are limited to 35% of the total approved budget, including both hard and soft costs,

**Inter-Parish Loan Fund, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

- (c) Capital projects may not begin until the participant has available cash of at least 50% of the total budget,
- (d) Participants must be able to demonstrate, through uncollected pledges or available cash flow, the ability to meet the debt-service obligation, and
- (e) Loans should be fully paid within 10 years.

*Key Oversight Duties and Knowledge of Central Service Staff*

- (a) Project management oversight of the approved capital project by the Division of Facility Services,
- (b) Compliance with Archdiocesan capital project policy and procedures,
- (c) Regular audit reviews by the Division of Fiscal Services on the financial statements and maintenance of proper internal controls of the participating location,
- (d) Regular financial monitoring through quarterly reports, and
- (e) Adherence not to exceed borrowing limits and timely collection of debt service.

The Fund's policy over credit risk in investments is to minimize exposure by currently investing in U.S. government securities. The Board of Trustees has established an investment policy with a priority of preserving principal, and has delegated authority to the Archdiocesan Investment Committee to monitor performance and ensure proper asset allocation and diversification.

Cash and cash equivalents are maintained at three financial institutions and at times, the total value of deposits maintained may exceed the amount insured by federal agencies and, therefore, bear some risk. IPLF, Inc. has not experienced any losses as a result of exceeding insured amounts. As of June 30, 2023 and 2022, there was \$32,470,850 and \$22,872,543, respectively, in funds held in excess of the Federal Deposit Insurance Corporation limit.

*Liquidity Risk*

Liquidity risk is the risk that IPLF, Inc. will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash.

IPLF, Inc.'s policy and the investment policy approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities under both normal and stress conditions.

*Key Controls in Operation Regarding Liquidity Risk*

- (a) Maintaining an asset allocation of investments that is highly liquid that prioritizes safety of principal,
- (b) Regular review of cash flow expectations on upcoming and current capital projects,
- (c) Policy that requires parishes of the Archdiocese of Baltimore to invest in IPLF, Inc. any funds in excess of amounts needed for ordinary operating needs, and
- (d) Not exceed a loan ratio of 80% or more of demand deposits.

The Board of Trustees is authorized to borrow funds and obtain credit facilities from financial institutions or the Archdiocese of Baltimore to meet short-term liquidity needs. As of June 30, 2023 and 2022, IPLF, Inc. does not have any of these facilities.

Inter-Parish Loan Fund, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and credit spreads will affect IPLF, Inc.'s income or the fair value of its holdings of financial instruments.

This risk is minimized by the investment policy of placing a priority on principal over possible investment return. Interest rate risk is minimized as the majority of loans are made with variable interest rates. Additionally, the Board of Trustees sets the interest rate on demand deposits and loans based on economic circumstances, but in general, the rate will be set at a level at least 200 basis points over the rate of interest paid on deposits.

**Net Assets**

The net assets of IPLF, Inc. are without donor restrictions. The change in net assets is primarily interest earned on capital loans to parishes and schools of the Archdiocese of Baltimore and investment income on available funds offset by interest expense provided to Certificate Holders on demand deposits payable and administrative expenses.

**NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 49,063,646	\$ 38,653,623
Loan receivable due in one year, net allowance	309,439	414,629
Investments	<u>65,641,033</u>	<u>64,354,934</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 115,014,118</u>	<u>\$ 103,423,186</u>

IPLF, Inc. maintains cash balances at a level designed to ensure short-term liquidity. A suitable proportion of IPLF, Inc.'s investment balances are held in instruments that can readily be converted to cash, if needed. IPLF, Inc. prepares and monitors a 12-month rolling cash-flow forecast in order to identify and address any threats to short-term liquidity.

**NOTE 4 - RELATED PARTY TRANSACTIONS**

In exchange for administrative services, IPLF, Inc. provides a management fee that is calculated monthly and paid to Central Services. The fee is based on 2% of the principal amounts of loans outstanding and 75% of the difference between interest paid on deposits and interest earned on outstanding loans, and in total may not exceed 95% of the operating cash flows for the period. Management fees for the years ended June 30, 2023 and 2022 totaled \$0 and \$500,000, respectively, and are included within management and banking fees on the statements of activities and changes in net assets, respectively.

**NOTE 5 - LITIGATION**

IPLF, Inc. is not a party to any litigation or threatened litigation that is expected to have an adverse material impact on the accompanying financial statements. IPLF, Inc. is a separately incorporated, Maryland nonstock 501(c)(3) corporation. It is in good standing in the State of Maryland.

**Inter-Parish Loan Fund, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**NOTE 6 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 27, 2023, which is the date the financial statements were available to be issued.

IPLF, Inc. is not aware of any subsequent events which would require additional recognition or disclosure in the accompanying financial statements as of June 30, 2023.