

# **Chimbote Foundation**

## Financial Statements

Years Ended June 30, 2020 and 2019  
with Independent Auditor's Report

**MaherDuessel**

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# CHIMBOTE FOUNDATION

YEARS ENDED JUNE 30, 2020 AND 2019

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## **Independent Auditor's Report**

**Most Reverend David A. Zubik  
Bishop of the  
Catholic Diocese of Pittsburgh**

We have audited the accompanying financial statements of the Chimbote Foundation (Foundation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities 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 the Foundation as of June 30, 2020 and 2019, 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.

## Emphasis of Matter

The accompanying financial statements are not intended to present all funds and related entities of the Catholic Diocese of Pittsburgh at June 30, 2020 and 2019, and, thus, do not represent a comprehensive financial report. This report includes only the financial statements for the Foundation. Our opinion is not modified with respect to this matter.

## Restriction of Use

This report is intended solely for the information and use of the Bishop of the Catholic Diocese of Pittsburgh and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
January 15, 2021

# CHIMBOTE FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<hr/>		
Assets:		
Cash and cash equivalents	\$ 228,245	\$ 34,210
Investment in Institutional Common Fund	2,544,232	2,487,108
Short-term investments	665,840	716,232
Accounts receivable	36,619	2,931
Pledges receivable	32,935	12,225
Accrued interest receivable	11,935	15,828
	<hr/>	<hr/>
<b>Total Assets</b>	<b><u>\$ 3,519,806</u></b>	<b><u>\$ 3,268,534</u></b>
<b>Liabilities and Net Assets</b>		
<hr/>		
Liabilities:		
Accounts payable	\$ 786	\$ 24,680
Net Assets:		
Without donor restrictions	3,448,020	3,231,629
With donor restrictions	71,000	12,225
	<hr/>	<hr/>
Total net assets	<b><u>3,519,020</u></b>	<b><u>3,243,854</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,519,806</u></b>	<b><u>\$ 3,268,534</u></b>

See accompanying notes to financial statements.

# CHIMBOTE FOUNDATION

## STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Changes in Net Assets Without Donor Restrictions:</b>		
Revenues:		
Interest and dividends	\$ 66,188	\$ 79,570
Donations	171,068	236,158
Fundraising income:		
Peru Mission Dinner income	151,467	171,433
Golf outing	22,890	42,675
Mission Milestone donations	10,150	10,745
Other	-	35,842
Net assets released from restrictions	-	1,305
Total revenues	<u>421,763</u>	<u>577,728</u>
Expenses:		
Program:		
Chimbote Mission subsidy disbursements	156,727	240,000
Pass through income disbursements	-	31,404
Support Services:		
General and administrative expenses	16,913	22,873
Fundraising:		
Peru Mission Dinner expense	28,351	35,659
Golf outing expense	-	12,755
Mission Milestone expense	-	7,270
Other expense	68	16,296
Total expenses	<u>202,059</u>	<u>366,257</u>
Change in net assets from operations	219,704	211,471
Unrealized appreciation (depreciation) on investments	<u>(3,313)</u>	<u>87,405</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>216,391</b>	<b>298,876</b>
<b>Changes in Net Assets With Donor Restrictions:</b>		
Donations	44,415	-
Peru Mission Dinner income	14,360	-
Net assets released from restrictions	-	(1,305)
<b>Change in Net Assets With Donor Restrictions</b>	<b>58,775</b>	<b>(1,305)</b>
<b>Change in Net Assets</b>	<b>275,166</b>	<b>297,571</b>
<b>Net Assets:</b>		
Beginning of year	<u>3,243,854</u>	<u>2,946,283</u>
End of year	<u><b>\$ 3,519,020</b></u>	<u><b>\$ 3,243,854</b></u>

See accompanying notes to financial statements.

# CHIMBOTE FOUNDATION

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 275,166	\$ 297,571
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized (appreciation) depreciation on investments	3,313	(87,405)
Changes in operating assets:		
Accounts receivable	(33,688)	(2,931)
Due from other Diocesan funds	-	13,677
Pledges receivable	(20,710)	1,305
Accrued interest receivable	3,893	(970)
Accounts payable	(23,894)	8,066
Net cash provided by (used in) operating activities	<u>204,080</u>	229,313
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale or maturity of investments	71,968	50,036
Purchases of investments	(82,013)	(278,600)
Net cash provided by (used in) investing activities	<u>(10,045)</u>	(228,564)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>194,035</b>	749
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>34,210</u>	<u>33,461</u>
End of year	<u>\$ 228,245</u>	<u>\$ 34,210</u>

See accompanying notes to financial statements.

# CHIMBOTE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### 1. Organization

The Chimbote Foundation (the Foundation) was created in December 1991 to support the charitable and educational works of the Social Works Center in Chimbote, Peru, known as the Centro de Obras Sociales. The goal and purpose of the Foundation is to provide quality health care for the poor and needy in Chimbote, Peru, especially in the maternal-child health care field.

During fiscal year 2016, the Foundation announced the Mission Milestone Investment, a plan created to raise and invest up to \$1 million for one-time capital, equipment, and programming priorities identified through the Chimbote strategic planning process. The program ran from 2016-2018 and targeted funds in addition to the Foundation's current operating subsidy.

The Foundation is listed in the Official Catholic Directory (OCD). This listing provides exemption from federal income tax for all Catholic institutions listed in the OCD for that year.

### 2. Significant Accounting Policies

#### Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Expenses are recognized in the period incurred. Revenues are recognized in the period in which they are earned.

#### Basis of Presentation

Net asset balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions – Used to accumulate all undesignated and Board-designated resources. This class represents expendable funds that are available for support of the Foundation's operations. The Foundation has no Board-designated net assets at June 30, 2020 or 2019.



# CHIMBOTE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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Net assets with donor restrictions – Represents the net assets of the Foundation resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that can be either fulfilled and removed by actions of the Foundation pursuant to those stipulations or are to be maintained in perpetuity. The Foundation has no net assets with donor restrictions required to be maintained in perpetuity at June 30, 2020 or 2019.

### Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents include currency on hand, demand deposits, and money market funds with financial institutions. Short-term investments, held by external investment managers, include money market funds and debt securities with maturities less than one year at date of purchase. The carrying values of cash and cash equivalents are reasonable estimates of fair value due to the short-term nature of these financial instruments.

### Pledges Receivable

The Foundation records the receivable for unconditional pledges and corresponding revenue at estimated net realizable value when the commitment is made. Pledges receivable are recorded based on written commitments of the donors. The total pledges receivable balance of \$32,935 at June 30, 2020 is expected to be collected within one year. All pledges are deemed fully collectible and, as such, no allowance has been recorded.

### Investments

The Foundation is a participant in the Institutional Common Fund Trust (Institutional Common Fund), which was established by the Catholic Diocese of Pittsburgh on June 9, 2006 as a Delaware Statutory Trust. The Institutional Common Fund serves as an investment vehicle for various participating religious institutions within the Catholic Diocese of Pittsburgh and is comprised of a diversified portfolio of short-term cash, commercial paper, U.S. Government securities, mortgage-backed securities, corporate bonds, U.S. equity funds, and international equity funds. The Foundation's investment in the Institutional Common Fund is reported at fair value based upon a per unit share value as calculated by Institutional Common Fund management. The per unit share value is calculated as assets of the fund less the fund's liabilities divided by the total Institutional Common Fund shares outstanding. The fair value reported by the Foundation is proportionate to the Foundation's relative capital contributions to the fund. Shares are redeemable upon request and are available the next business day. Currently, the

# CHIMBOTE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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Foundation has no intentions on liquidating the investment in the Institutional Common Fund held at year-end.

Dividend income is recorded by the Institutional Common Fund on the ex-dividend date. Interest income is recorded on the accrual basis. Net investment income is distributed to Institutional Common Fund participants semi-annually. Capital gains are distributed semi-annually at the discretion of the Trust Administrator. If not distributed, net realized gains or losses on the sale of securities are accumulated and distributed to participants upon redemption of their investment in the Institutional Common Fund.

The composition of the total investments within the Institutional Common Fund at fair value, based on quoted market prices at June 30, 2020, is as follows: Short-Term Cash (1%), Commercial Paper (1%), U.S. Government Securities (6%), Mortgage-Backed Securities (7%), Corporate Bonds (11%), U.S. Equity Funds (57%), and International Equity Funds (17%).

The composition of the total investments within the Institutional Common Fund at fair value, based on quoted market prices at June 30, 2019, is as follows: Short-Term Cash (1%), Commercial Paper (1%), U.S. Government Securities (6%), Mortgage-Backed Securities (8%), Corporate Bonds (10%), U.S. Equity Funds (56%), and International Equity Funds (18%).

### 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.

### Concentration of Credit Risk

Financial instruments, which potentially expose the Foundation to a concentration of credit risk, include cash and cash equivalents and short-term investments. As a matter of policy, the Foundation only maintains cash balances with financial institutions having a high credit quality. Concentration of credit risk for short-term investments is mitigated by the distribution of investment funds among asset managers; however, due to the risks and the level of uncertainty related to changes in the value of individual investments, it is at least reasonably possible that significant changes can occur in fair value that may materially affect the amounts reported in the financial statements.

# CHIMBOTE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### Liquidity and Availability

The Foundation manages its liquid resources by focusing on investment and fundraising efforts to ensure the entity has adequate investment returns and raised funds to cover granting activities being conducted. The Foundation has been very active in fiscal management to ensure the entity remains liquid.

Financial assets (cash and cash equivalents, investments, and receivables) available for general expenditures within one year of the balance sheet date were \$3,519,806 as of June 30, 2020 and \$3,268,534 as of June 30, 2019.

### Donations

The Foundation receives donations on behalf of fundraising efforts in support of the Social Works Center in Chimbote, Peru. Donations are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The Foundation has no conditional promises to give at June 30, 2020 and 2019. Donations are recorded as revenue without donor restrictions when pledged or otherwise received. Donations received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Since the sole purpose of the Foundation is to support the Social Works Center in Chimbote, Peru, all general donations to support the work in Peru are recorded as net assets without donor restrictions. The Chimbote Mission, which acts to support the Social Works Center in Peru, periodically makes requests of the Foundation for the funding of operating activities and/or capital improvements. Such amounts are recorded as Chimbote Mission subsidy disbursements in the statements of activities. Additionally, funds collected under the Mission Milestone Investment for capital, equipment, and programming priorities are disbursed to the Chimbote Mission.

### Functional Allocation of Expenses

The Foundation charges expenses that are directly identifiable to program services, support services, and fundraising. Expenses related to more than one function are allocated to

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# CHIMBOTE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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programs and supporting services on the basis of estimates made by management. Support service expenses include those expenses that are not directly identifiable with any other functional classification but provide overall support and direction for the Foundation.

### Administrative Services

The Foundation receives administrative services including budget development, financial and accounting services, administration of the multi-employer, defined benefit retirement and 403(b) plan, and assistance with investment administration from the Catholic Diocese of Pittsburgh (Diocese). No formal agreement between the Diocese and the Foundation exists related to such services. The costs of employee benefits, insurance and investment expenses are included in the fees charged by the Diocese to administer such services. Other administrative services are provided by the Diocese at no charge and are not recorded by the Foundation on the statement of activities. Such administrative services are not considered to be significant to the Foundation.

### Adopted Accounting Standard

The provisions of this Standards Update have been adopted and incorporated into these financial statements.

ASU 2018-08, *“Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).”* The amendments provide guidance for characterizing grants and similar contracts with governmental agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. Implementation of these amendments had no impact on the financial statements.

### Pending Accounting Standards Updates

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of this statement on the financial statements.

ASU 2018-13, *“Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820),”* is effective for the financial statements for the year beginning after December 15, 2019. The amendments remove and modify certain fair value hierarchy leveling disclosures.

# CHIMBOTE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### 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.

### **3. Fair Value of Financial Instruments**

In accordance with the accounting principles generally accepted in the United States of America, all investments of the Foundation as of June 30, 2020 and 2019 are measured at Level 1, Level 2, and Level 3 fair value. Level 1 fair value is defined as inputs based upon "measuring the value at quoted prices available in active markets for identical assets or liabilities as of the report 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 is defined as inputs based upon "measuring pricing units other than at quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed." Level 3 is defined as inputs based upon "significant unobservable inputs, as they trade infrequently or not at all." The investment strategies of the underlying investment funds of the Institutional Common Fund include capital appreciation and current income. In addition, there are no unfunded commitments of the Foundation related to such investments.

The following table summarizes investments as of June 30, 2020:

Description	Fair Value Measurements at Reporting Date Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Short-Term Investments	\$ 665,840	\$ -	\$ -	\$ 665,840
Common Fund	-	-	2,544,232	2,544,232
Totals	<u>\$ 665,840</u>	<u>\$ -</u>	<u>\$ 2,544,232</u>	<u>\$ 3,210,072</u>

# CHIMBOTE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

The following table summarizes investments as of June 30, 2019:

Description	Fair Value Measurements at Reporting Date Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Short-Term Investments	\$ 716,232	\$ -	\$ -	\$ 716,232
Common Fund	-	-	2,487,108	2,487,108
Totals	<u>\$ 716,232</u>	<u>\$ -</u>	<u>\$ 2,487,108</u>	<u>\$ 3,203,340</u>

The following table summarizes the changes in fair values associated with Level 3, Common Fund investments:

	Institutional Common Fund Investment	
	2020	2019
Beginning of the year balance	\$ 2,487,108	\$ 2,333,020
Purchases of investments	60,437	66,683
Total gains (losses)	(3,313)	87,405
End of the year balance	<u>\$ 2,544,232</u>	<u>\$ 2,487,108</u>

### Determination of Fair Value

The Foundation reports investments at fair value in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value for Level 3 investments in the Institutional Common Fund is recorded based upon the value at which participant units in the Institutional Common Fund are purchased or redeemed and is determined monthly by adding the per unit cost and the per unit realized and unrealized gain or loss of investments owned. Participants purchasing/redeeming units are also charged/credited a proportionate share of net investment income, which has been received or accrued since the last income distribution date. The Common Fund per unit value is based upon the fair value of the underlying assets held.

# CHIMBOTE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

The investments of the Institutional Common Fund are recorded at fair value. The fair values are determined by the custodian holding the investments and are based on closing prices at year-end. Realized gains and losses are computed using the specific identification method. Investment transactions are recorded as of the trade date reference to quoted prices for comparable market transactions.

The following table represents the valuation techniques used to measure the fair value of Level 3 investments, and the significant unobservable inputs and the ranges of values of those inputs:

Description	Fair Value as of 6/30/20	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Institutional Common Fund	<u>\$ 2,544,232</u>	Market Value of Underlying Investments	Calculated Unit Value	Participant Units & Value per Share
Description	Fair Value as of 6/30/19	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Institutional Common Fund	<u>\$ 2,487,108</u>	Market Value of Underlying Investments	Calculated Unit Value	Participant Units & Value per Share

For Level 3 items, the Foundation's valuation is determined in good faith by the Institutional Common Fund Trust, as they have no significant observable inputs. Quantitative unobservable inputs of Level 3 items are not developed by the Foundation for measuring fair value.

# CHIMBOTE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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### 4. Net Assets with Donor Restrictions

Net assets with donor restriction represent funds restricted to time or specific uses by the donors, as follows, as of June 30:

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Mike Clark travel scholarship	\$ 40,514	\$ -
Religious education	3,901	-
Time	<u>26,585</u>	<u>12,225</u>
	<u>\$ 71,000</u>	<u>\$ 12,225</u>

Time-restricted net assets represent pledges receivable.

Net assets released from donor restrictions during the years ended June 30, 2020 and 2019 by the passage of time were \$0 and \$1,305, respectively.

### 5. Grand Jury Report

The Diocese of Pittsburgh, along with five other Dioceses in Pennsylvania, were the subject of a grand jury investigation into potential sexual abuse of minors in the past seven decades. In August 2018, the Attorney General of Pennsylvania released a report detailing the findings of the grand jury investigation. The Diocese had approximately 150 lawsuits filed against it after the release of the report relating to alleged sexual abuse. The Foundation is a separate legal entity that is not a party to cases brought against the Diocese, nor would its assets be at risk unless it was specifically named in a filed lawsuit.

In October 2018, the Diocese of Pittsburgh along with all other Diocese in Pennsylvania received a subpoena from the US Department of Justice issued by a federal grand jury empaneled in Philadelphia. The subpoena required the production of certain documents related to the sexual abuse of minors. The Diocese is fully cooperating with the subpoena.