

**CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**



HOULDSWORTH, RUSSO & COMPANY

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**CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION**

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**YEAR ENDED JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Roman Catholic Bishop of Las Vegas and His Successors, a Corporation Sole and the Board of Directors of the Catholic Diocese of Las Vegas Capital Funding Corporation  
Las Vegas, Nevada

We have audited the accompanying financial statements of the Catholic Diocese of Las Vegas Capital Funding Corporation (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities 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 misstatements, 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 Catholic Diocese of Las Vegas Capital Funding Corporation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Howdsworth, Russo & Company, P.C.*

Las Vegas, Nevada  
October 23, 2019

Certified Public Accountants  
**20** YEARS & COUNTING

**CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2019**

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**ASSETS**

**Current assets:**

Cash and cash equivalents	\$	198,398
Investments		871,492
Note receivable, related party		1,083,333
		<u>2,153,223</u>

**Noncurrent assets:**

Note receivable, related party, net of current portion		<u>3,321,987</u>
	\$	<u>5,475,210</u>

**LIABILITIES AND NET ASSETS**

**Current liabilities:**

Note payable	\$	1,083,333
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**Long-term liabilities:**

Note payable, net of current portion		<u>3,791,666</u>
		<u>4,874,999</u>

**Net assets:**

Without donor restrictions		<u>600,211</u>
	\$	<u>5,475,210</u>

See accompanying notes to financial statements

**CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION**

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

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**Revenue, gains, and other support:**

Investment return, net \$ 277,652

**Expenses and losses:**

Support services:

Bank fees - management and general 736

Interest expense - management and general 230,202

Management and general 230,938

**Increase in net assets** 46,714

**Net assets, beginning of year** 553,497

**Net assets, end of year** \$ 600,211

**CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION**

**STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019**

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**Cash flows from operating activities:**

Increase in net assets	\$	46,714
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Net unrealized gain on investments		(32,946)
Changes in operating assets and liabilities:		
Note receivable, related party		1,083,334
Interest receivable		390

**Net cash provided by operating activities** 1,097,492

**Cash flows from investing activities:**

Net sales of securities		<u>1,118</u>
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**Net cash provided by investing activities** 1,118

**Cash flows from financing activities:**

Payments on note payable		<u>(1,083,334)</u>
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**Net cash used in financing activities** (1,083,334)

**Net increase in cash and cash equivalents** 15,276

**Cash and cash equivalents, beginning of year** 183,122

**Cash and cash equivalents, end of year** \$ 198,398

**Supplemental disclosures:**

Cash paid for interest	\$	<u><u>230,202</u></u>
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# CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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### 1. HISTORY, BACKGROUND, AND NATURE OF THE ENTITY

The accompanying financial statements include the assets, liabilities, and operations of departments under the Catholic Diocese of Las Vegas Capital Funding Corporation (“CDLV CFC”). The Roman Catholic Bishop of Las Vegas and His Successors, a Corporation Sole (“RCBLV”), comprises five counties, Clark, Esmeralda, Lincoln, Nye and White Pine, and covers 39,683 square miles. CDLV CFC is a supporting organization of RCBLV and its activities are consistent with the exempt purposes described in Section 509(a)(3) of the Internal Revenue Code. The Administrative Office of the Roman Catholic Bishop of Las Vegas and His Successors, a Corporation Sole (commonly referred to as “the Diocese”), a program of the RCBLV, includes the Office of the Bishop, his staff, programs, and other services and support offered at the Diocesan level.

CDLV CFC and the RCBLV entered into a Diocesan Service Agreement on February 1, 2011. Under this agreement, CDLV CFC is obligated to hold, invest, loan, and otherwise manage funds deposited by the Diocese and the Diocese will provide personnel, as necessary, to perform these functions. These statements do not reflect the assets, liabilities, or operations of the RCBLV except for those transactions directly related to the operation of CDLV CFC.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Accounting*** – The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Revenue is recognized in the period that it is earned. Expenses are recognized during the period in which they are incurred.

***Basis of Presentation*** – CDLV CFC is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

***Net Assets Without Donor Restrictions*** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of CDLV CFC. These net assets may be used at the discretion of CDLV CFC’s management and the Board of Directors.

***Net Assets With Donor Restrictions*** – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Diocese or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

***Use of Estimates*** – Timely preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect certain reported amounts, which may require revision in future periods.

## CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Cash and Cash Equivalents** – Cash and cash equivalents include all cash balances in banks and highly-liquid investments with maturity dates of less than three months. The accounts are maintained in institutions insured by the Federal Deposit Insurance Corporation (FDIC). At various times CDLV CFC maintains cash in financial institutions in excess of amounts insured by the federal government. CDLV CFC has not experienced any losses in these accounts.

**Investments** – Marketable equity securities, debt instruments, and other investments are stated at their fair value, which is determined by quoted market prices. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on these investments, net of related investment fees, is included in investment return in the statement of activities.

**Receivables** – The related party note receivable is carried at cost and is considered fully collectible. This receivable represents a commitment by the Diocese to provide CDLV CFC with sufficient funds to pay the monthly requirements to service the debt owed to Bank of America. Interest income is recognized when it is earned.

**Functional Allocation of Expenses** – The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. Bank fees and interest expense were allocated directly to management and general expenses.

**Income Tax Status** – CDLV CFC is a nonprofit, tax-exempt organization under 509(a)(3) of the Internal Revenue Code and as such is exempt from federal income tax. CDLV CFC has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

**Concentrations of Credit Risk** – Financial instruments that potentially subject CDLV CFC to significant concentrations of credit risk consist primarily of cash and cash equivalents and United States government bonds.

**New Accounting Pronouncement** – On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. CDLV CFC has adopted the provisions of the ASU during the year ended June 30, 2019 and adjusted the presentation of these statements accordingly.

**Subsequent Events** – Subsequent events have been evaluated through October 23, 2019, which is the date the financial statements were available to be issued.



## CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

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#### 3. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

CDLV CFC receives investment income as its primary source of revenue, all of which is available to meet cash needs for general expenditures. CDLV CFC manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects CDLV CFC's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Cash and cash equivalents	\$ 198,398
Investments	871,492
Note receivable, related party, current portion	<u>1,083,333</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 2,153,223</u>

#### 4. INVESTMENTS AND FAIR VALUE

All investments were held in United States Treasury bonds at June 30, 2019.

In accordance with FASB ASC 820-10 and subsections, the following are quantitative disclosures about the fair value measurements of assets. Fair value measurements are categorized on three levels:

Level 1: Quoted prices in active markets for identical assets.

*United States Treasury bonds* – these are traded by dealers or brokers in active markets, and valuations are obtained from readily available pricing sources for market transactions involving the assets.

Level 2: Inputs other than quoted prices within Level 1; for example, quoted prices for similar assets.

Level 3: Significant unobservable inputs (including the CDLV CFC's own assumptions in determining the fair value of investments).

CDLV CFC's only assets valued at fair value are its investments. CDLV CFC holds all its investments in publicly traded debt instruments, as follows:

**CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2019**

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**4. INVESTMENTS AND FAIR VALUE (Continued)**

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government bonds	\$ 871,492	\$ 871,492	\$ -	\$ -

**5. NOTE RECEIVABLE, RELATED PARTY**

The related party note receivable represents the accumulation of debt transferred from the Diocese to CDLV CFC from 2011 through June 30, 2019. The interest rate on the note is the London Inter-Bank Offered Rate (LIBOR) plus two hundred basis points (2.00%) per year, consistent with the note payable to Bank of America (see Note 6). Principal payments are required in equal installments of \$90,278 and interest is calculated on the remaining unpaid principal balance and added to the equal principal payments. Any remaining unpaid principal is due in full on November 28, 2023. It is CDLV CFC's policy to charge off uncollectible receivables when management determines the receivable will not be collected. At June 30, 2019, the related party note receivable was considered collectible in full.

Diocesan receivable	\$ 4,405,320
Less: current portion	<u>1,083,333</u>
Long-term note receivable	<u>\$ 3,321,987</u>

**6. NOTE PAYABLE**

In November 2011, CDLV CFC, RCBLV, and Catholic Diocese of Las Vegas Capital Management Corporation ("CDLV CMC"), a separate supporting organization of RCBLV, entered into a non-revolving line of credit agreement not to exceed \$13 million. The interest rate on the note is LIBOR plus two hundred basis points (2.00%) per year. CDLV CFC carries the note payable on its books and principal payments are required in equal installments of \$90,278 and interest is calculated on the remaining unpaid principal balance and added to the equal principal payments. Any remaining unpaid principal is due in full on November 28, 2023. The note is collateralized by vacant land owned by the Diocese and first priority security interest in all the of the assets and gross revenues of CDLV CFC, RCBLV, and CDLV CMC.

As part of the note payable, CDLV CFC, RCBLV, and CDLV CMC are subject to certain covenants, including requirements to provide financial statements at certain intervals after quarter- and fiscal year-end; combined debt service coverage ratio of 1.25:1.00; maintain combined net unencumbered liquid assets of not less than \$17,000,000; and not to encumber certain debts or additional liens. As of June 30, 2019, the combined entities were in compliance with the debt covenants.

## CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2019

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#### 6. NOTE PAYABLE (Continued)

Note payable	\$	4,874,999
Less: current portion		<u>1,083,333</u>
Long-term note receivable	\$	<u><u>3,791,666</u></u>
Maturities of the note payable are as follows:		
2020	\$	1,083,333
2021		1,083,333
2022		1,083,333
2023		1,083,333
2024		<u>541,667</u>
	\$	<u><u>4,874,999</u></u>

#### 7. RELATED PARTY TRANSACTIONS

CDLV CFC is related to the Diocese, Bishop Gorman Assistance Corporation (“BGAC”), Bishop Gorman High School (the “School”), Bishop Gorman Development Corporation (BGDC) and Capital Management Corporation (“CDLV CMC”) through common control from RCBLV.

During the year ended June 30, 2019, the Diocese combined its financial reporting with Service Campaign Corporation (“SCC”), a nonprofit organization related to the Diocese through common control from RCBLV. Assets and liabilities held by SCC were transferred into the Diocese during the year ended June 30, 2019 at their carrying amounts at the time of their respective transfers.

On September 11, 2018, a Settlement and Restructuring Agreement (“Settlement”) was reached regarding BGDC’s bankruptcy proceedings. As a result of the Settlement, BGDC was required to pay their construction contractor \$8.6 million. Additionally, the BGDC and the Diocese agreed to transfer 55 acres of real property owned by the Diocese, with an agreed upon value of \$18.4 million, to the contractor. This land was previously used as collateral to secure the line of credit associated with the CDLV CMC, CDLV CFC, and Diocese line of credit. The land transferred from SCC during the year ended June 30, 2019 replaced the land used in the settlement as partial collateral for the line of credit. BGDC made the payment of \$8.6 million on September 12, 2018. The land was re-zoned and transferred in July 2019 per the terms of the Settlement.

**CATHOLIC DIOCESE OF LAS VEGAS CAPITAL MANAGEMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

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**7. RELATED PARTY TRANSACTIONS (Continued)**

During the bankruptcy proceedings, BGDC borrowed money from SCC to pay for ongoing operations and legal fees related to the bankruptcy. These debts transferred to the Diocese during the combination with SCC with a \$500,000 note that accrues interest only at 4.25% until January 1, 2022, and then the full balance plus interest begins payment terms over a 5-year period and a current receivable for \$260,931.

CDLV CMC has loaned the School \$8.6 million. In turn, the School has paid the \$8.6 million to the BGDC partially as a contribution to BGDC and partially as repayment of an intercompany loan. The \$8.6 million will be repaid to CDLV CMC by the School over a 15-year term at 3.5% interest. The letter of credit for which CDLV CMC, CDLV CFC, and the RCBLV are co-borrowers was amended in December 2018 to allow for this loan to be made to the School.