

CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

The logo consists of a dark blue square with a white border. Inside the square, the letters "HRC" are written in a white, bold, sans-serif font.

HRC

CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

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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 statements of financial position as of June 30, 2021 and 2020, 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 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 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, 2021 and 2020 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
November 3, 2021

CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 273,904	\$ 273,408
Investments	884,973	884,397
Note receivable, related party	127,751	96,913
	<u>1,286,628</u>	<u>1,254,718</u>
Noncurrent assets:		
Note receivable, related party, net of current portion	<u>2,306,981</u>	<u>3,426,145</u>
	<u>\$ 3,593,609</u>	<u>\$ 4,680,863</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Note payable	\$ 127,751	\$ 96,913
Long-term liabilities:		
Note payable, net of current portion	<u>2,877,617</u>	<u>3,995,824</u>
	<u>3,005,368</u>	<u>4,092,737</u>
Net assets:		
Without donor restrictions	<u>588,241</u>	<u>588,126</u>
	<u>\$ 3,593,609</u>	<u>\$ 4,680,863</u>

See accompanying notes to financial statements

CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenue, gains, and other support:		
Investment return, net	\$ 101,545	\$ 154,156
Expenses and losses:		
Support services:		
Bank fees - management and general	288	1,144
Interest expense - management and general	101,142	165,097
Management and general	<u>101,430</u>	<u>166,241</u>
Change in net assets	115	(12,085)
Net assets, beginning of year	<u>588,126</u>	<u>600,211</u>
Net assets, end of year	<u><u>\$ 588,241</u></u>	<u><u>\$ 588,126</u></u>

See accompanying notes to financial statements

CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 115	\$ (12,085)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Net unrealized (gain) loss on investments	(834)	33,017
Accrued interest on notes payable	7,121	8,730
Changes in operating assets and liabilities:		
Note receivable, related party	1,088,326	882,262
Net cash provided by operating activities	1,094,728	911,924
Cash flows from investing activities:		
Net sales (purchases) of securities	258	(45,922)
Net cash provided by (used in) investing activities	258	(45,922)
Cash flows from financing activities:		
Proceeds from current notes payable	-	4,100,000
Repayment on current notes payable	(1,094,490)	(15,992)
Repayment on prior notes payable	-	(4,875,000)
Net cash used in financing activities	(1,094,490)	(790,992)
Net change in cash and cash equivalents	496	75,010
Cash and cash equivalents, beginning of year	273,408	198,398
Cash and cash equivalents, end of year	\$ 273,904	\$ 273,408
Supplemental disclosures:		
Cash paid for interest	\$ 102,751	\$ 156,367

See accompanying notes to financial statements

CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 AND 2020

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 CDLV CFC 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) YEARS ENDED JUNE 30, 2021 AND 2020

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 statements 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 Nevada State Bank. Interest income is recognized when it is earned.

Revenue and Expense Recognition – Revenue is recognized in the period that it is earned. Expenses are recognized during the period in which they are incurred.

Functional Allocation of Expenses – The costs of providing programs and other activities have been summarized on a functional basis in the statements 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.

Subsequent Events – Subsequent events have been evaluated through November 3, 2021, 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) YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

	As of June 30,	
	2021	2020
Cash and cash equivalents	\$ 273,904	\$ 273,408
Investments	884,973	884,397
Note receivable, related party, current portion	127,751	96,913
Financial assets available to meet cash needs for general expenditures	<u>\$ 1,286,628</u>	<u>\$ 1,254,718</u>

4. INVESTMENTS AND FAIR VALUE

All investments were held in United States Treasury bonds at June 30, 2021 and 2020.

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).

CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

4. INVESTMENTS AND FAIR VALUE (CONTINUED)

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:

	2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government bonds	<u>\$ 884,973</u>	<u>\$ 884,973</u>	<u>\$ -</u>	<u>\$ -</u>
	2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government bonds	<u>\$ 884,397</u>	<u>\$ 884,397</u>	<u>\$ -</u>	<u>\$ -</u>

5. NOTE RECEIVABLE, RELATED PARTY

The related party note receivable represents the accumulation of debt transferred from the Diocese to CDLV CFC since 2011. The note is paid consistent with the terms of CDLV CFC's outstanding notes payable at June 30, 2021 and 2020 (see Note 6). As of June 30, 2021, the interest rate on the note was 2.85%. The rate is fixed for the first ten years of the loan after which it will be repriced at the greater of 2.85% or 1.85% plus the 10-year LIBOR rate per year, consistent with the note payable to Nevada State Bank which CDLV CFC entered into on June 4, 2020. Prior to entering into the loan with Nevada State Bank, the interest rate on the note was LIBOR plus two hundred basis points (2.00%) per year, consistent with the note payable to Bank of America. The monthly principal and interest payment on the loan is \$17,043. Prior to entering into the loan with Nevada State Bank, principal payments on the loan were required in equal monthly installments of \$90,278 and interest was calculated on the outstanding balance each month and was added to the principal amount due. The remaining unpaid principal balance is due in full on June 4, 2035, the maturity date of the Nevada State Bank note payable. It is CDLV CFC's policy to charge off uncollectible receivables when management determines the receivable will not be collected. At June 30, 2021 and 2020, the related party note receivable was considered collectible in full.

CDLV CFC received principal payments in excess of the current portion of the note receivable of \$991,414 for the year ended June 30, 2021. Principal payments were consistent with the current portion of the note receivable for the year ended June 30, 2020.

	<u>As of June 30,</u>	
	<u>2021</u>	<u>2020</u>
Diocesan receivable	\$ 2,434,732	\$ 3,523,058
Less: current portion	<u>127,751</u>	<u>96,913</u>
Long-term note receivable	<u>\$ 2,306,981</u>	<u>\$ 3,426,145</u>

CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2021 AND 2020

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 was the London Inter-Bank Offered Rate (LIBOR) plus two hundred basis points (2.00%) per year. CDLV CFC carried the note payable on its books and principal payments were required in equal installments of \$90,278 and interest was calculated on the unpaid principal balance and added to the equal principal payments. Any remaining unpaid principal was due in full on November 28, 2023. The note was 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.

On June 4, 2020, CDLV CFC, RCBLV, and CDLV CMC entered into a loan agreement with Nevada State Bank for an original principal amount of \$4.1 million. The proceeds of this loan were used to pay the outstanding balance on the loan with Bank of America. The interest rate on the note is 2.85%. The rate is fixed for the first ten years of the loan after which it will be repriced at the greater of 2.85% or 1.85% plus the 10-year LIBOR rate per year. CDLV CFC carries the note payable on its books and equal payments of \$17,043 are required to be made on the loan which includes principal and interest. Any remaining unpaid principal is due in full on June 4, 2035. The note is collateralized by the RCBLV administrative office building and Guardian Angel Cathedral as well as a first priority security interest in all of the assets and gross revenues of CDLV CFC, RCBLV, and CDLV CMC.

As part of the note payable with Nevada State Bank, 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 \$15,000,000; and not to encumber certain debts or additional liens. As of June 30, 2021, the combined entities were in compliance with the debt covenants.

CDLV CFC made principal payments in excess of the current portion of the note payable of \$988,848 for the year ended June 30, 2021. Principal payments were consistent with the current portion of the note payable for the year ended June 30, 2020.

CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2021 AND 2020

6. NOTE PAYABLE (CONTINUED)

	As of June 30,	
	2021	2020
Note payable	\$ 3,005,368	\$ 4,092,737
Less: current portion	127,751	96,913
Long-term note payable	<u>\$ 2,877,617</u>	<u>\$ 3,995,824</u>
Maturities of the note payable at June 30, 2021 are:		
2022	\$ 127,751	
2023	124,113	
2024	127,697	
2025	131,384	
2026	135,178	
Thereafter	<u>2,359,245</u>	
	<u>\$ 3,005,368</u>	

7. RELATED PARTY TRANSACTIONS

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

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. 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.

During the bankruptcy proceedings, BGDC borrowed money from the Diocese to pay for ongoing operations and legal fees related to the bankruptcy. The Diocese holds a current receivable of \$260,931 and a \$500,000 note related to these costs. The note accrues interest at 4.25% until January 1, 2020 at which time the full balance of the note plus interest begins to be paid over a 5-year period.

CATHOLIC DIOCESE OF LAS VEGAS CAPITAL FUNDING CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2021 AND 2020

7. RELATED PARTY TRANSACTIONS (CONTINUED)

CDLV CMC has loaned the School \$8.6 million. In turn, the School has paid the \$8.6 million to 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.

On June 4, 2020, BGDC entered into a loan agreement with Nevada State Bank to refinance all its outstanding debt with Bank of America. Pursuant to the refinance, BGDC provided \$8.0 million of the loan proceeds to BGHS so the School could pay the outstanding balance of its loan with CDLV CMC. The related party note between BGDC and the School is paid on terms consistent with the outstanding note between BGDC and Nevada State Bank which includes a 15-year term and interest rate of 2.85% for the first ten years after which it will be repriced at the greater of 2.85% or 1.85% plus the 10-year LIBOR rate per year.

8. WORLDWIDE PANDEMIC

As of November 3, 2021, the date these financial statements were available to be issued, in connection with the Coronavirus (“COVID-19”) pandemic, there have been significant global, federal, state, and local developments. As a result of this worldwide pandemic, which is driving economic uncertainty, CDLV CFC may experience volatility that may impact results and/or impede general operations. CDLV CFC continues to monitor this unprecedented situation and evaluate the impact of this pandemic on their results.

9. SUBSEQUENT EVENTS

On November 3, 2021, CDLV CFC, RCBLV, and CDLV CMC entered into a loan modification agreement related to the \$4.1 million note payable with Nevada State Bank carried on the books of CDLV CFC. The amendment modified the debt covenants to require validation of compliance with the debt service coverage ratio on an annual basis as of the Diocese’s fiscal year end compared to quarterly validation prior to the modification. Additionally, the formula for the debt service coverage ratio was modified to include only required principal payments in the calculation where it formerly included all principal payments. This modification allows for principal payments in excess of the minimum payment to be excluded from the ratio as they had previously reduced the value of ratio.