

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

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**YEARS ENDED JUNE 30, 2021 AND 2020**

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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 Management Corporation  
Las Vegas, Nevada

We have audited the accompanying financial statements of the Catholic Diocese of Las Vegas Capital Management Corporation (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, 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 Management Corporation as of June 30, 2021, 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.

***Report on Summarized Comparative Information***

We have previously audited the Catholic Diocese of Las Vegas Capital Management Corporation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Las Vegas, Nevada

November 3, 2021

CATHOLIC DIOCESE OF LAS VEGAS CAPITAL MANAGEMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 8,065,639	\$ 23,274,344
Investments	34,223,943	23,798,306
Interest receivable	71,463	35,903
Parish and clergy loans, current	1,130,619	634,660
	<u>43,491,664</u>	<u>47,743,213</u>
<b>Noncurrent assets:</b>		
Parish and clergy loans, net of current, allowance, and discount	<u>16,870,745</u>	<u>12,317,236</u>
	<u>\$ 60,362,409</u>	<u>\$ 60,060,449</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	<u>\$ -</u>	<u>\$ 97,482</u>
<b>Long-term liabilities:</b>		
Deposits payable	<u>55,343,904</u>	<u>57,185,985</u>
<b>Total liabilities</b>	<u>55,343,904</u>	<u>57,283,467</u>
<b>Net assets:</b>		
Without donor restrictions	<u>5,018,505</u>	<u>2,776,982</u>
	<u>\$ 60,362,409</u>	<u>\$ 60,060,449</u>

See accompanying notes to financial statements

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

**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Revenue, gains, and other support:</b>		
Investment return, net	\$ 1,285,299	\$ 1,275,284
Gain on change in receivable allowance	1,123,527	-
	<u>2,408,826</u>	<u>1,275,284</u>
<b>Expenses:</b>		
Support services:		
Management and general	<u>167,303</u>	<u>2,118,197</u>
<b>Change in net assets</b>	2,241,523	(842,913)
<b>Net assets, beginning of year</b>	<u>2,776,982</u>	<u>3,619,895</u>
<b>Net assets, end of year</b>	<u>\$ 5,018,505</u>	<u>\$ 2,776,982</u>

See accompanying notes to financial statements

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2021**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)**

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	<u>Support Services</u> <u>Management and</u> <u>General</u>	<u>Total 2021</u>	<u>Total 2020</u>
Bad debt	\$ -	\$ -	\$ 1,922,576
Bank fees	4,205	4,205	7,089
Interest	163,098	163,098	188,532
	<u>\$ 167,303</u>	<u>\$ 167,303</u>	<u>\$ 2,118,197</u>

See accompanying notes to financial statements

# CATHOLIC DIOCESE OF LAS VEGAS CAPITAL MANAGEMENT CORPORATION

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2021 AND 2020

	2021	2020
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,241,523	\$ (842,913)
Adjustments to reconcile change in net assets to cash used in operating activities:		
Net unrealized (gain) loss on investments	(794,552)	234,019
Discount on parish and clergy loans	-	(1,127,803)
Change in allowance for doubtful accounts	(1,168,221)	2,752,621
Changes in operating assets and liabilities:		
Interest receivable	(35,560)	4,712
Parish and clergy loans	(3,881,247)	3,963,765
Accounts payable	(97,482)	97,482
Deposits payable	(1,842,081)	(7,998,210)
<b>Net cash used in operating activities</b>	<u>(5,577,620)</u>	<u>(2,916,327)</u>
<b>Cash flows from investing activities:</b>		
Net (purchases) sales of securities	<u>(9,631,085)</u>	<u>17,556,674</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(9,631,085)</u>	<u>17,556,674</u>
<b>Net change in cash and cash equivalents</b>	(15,208,705)	14,640,347
<b>Cash and cash equivalents, beginning of year</b>	<u>23,274,344</u>	<u>8,633,997</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 8,065,639</u>	<u>\$ 23,274,344</u>
<b>Supplemental disclosures:</b>		
Cash paid for interest	<u>\$ 163,098</u>	<u>\$ 188,532</u>

See accompanying notes to financial statements

# CATHOLIC DIOCESE OF LAS VEGAS CAPITAL MANAGEMENT CORPORATION

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

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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 Management Corporation (“CDLV CMC”). The Roman Catholic Bishop of Las Vegas and His Successors, a Corporation Sole (“RCBLV”), is comprised of five counties, Clark, Esmeralda, Lincoln, Nye and White Pine, and covers 39,683 square miles. CDLV CMC 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 (“the Diocese”), the administrative program of the RCBLV, includes the Office of the Bishop, his staff, programs, and other services and support offered at the Diocesan level.

CDLV CMC and RCBLV entered into a Diocesan Service Agreement on February 1, 2011. Under this agreement, CDLV CMC is obligated to hold, invest, loan, and otherwise manage funds deposited by the RCBLV and its parishes and schools, 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 CMC.

### 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.

***Basis of Presentation*** – CDLV CMC 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 CMC. These net assets may be used at the discretion of CDLV CMC’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 CMC or by the passage of time. Other donor restrictions are perpetual in nature, where by 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.

***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 carrying value of cash and cash equivalents approximates fair value due to the short maturities of those financial instruments. The accounts are maintained in institutions insured by the Federal Deposit Insurance Corporation (FDIC). At various times CDLV CMC maintains cash in financial institutions in excess of amounts insured by the federal government. CDLV CMC has not experienced any losses in these accounts.

## CATHOLIC DIOCESE OF LAS VEGAS CAPITAL MANAGEMENT CORPORATION

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

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

**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** – Parish and clergy loans are considered programmatic investments and represent amounts lent to parishes and clergy members that fall under the umbrella of the RCBLV. These loans carry payment terms that range from 7 to 99 years and are presented at present value calculated on market interest rates at the origination of the loan, stated interest rates on the loans, and the length of the loans. Stated rates range from 0%-4.5% and market rates to assess discounts on below-market rate loans range from 3%-4.5%. It is CDLV CMC's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Interest receivable at June 30, 2021 and 2020 represents current amounts due from various parishes and clergy members that are affiliated with the RCBLV related to their long-term loans receivable. Interest income is recognized when earned per the terms of the note agreement. There was no imputed interest recognized on below-market rate loans during the year ended June 30, 2020 and 2021.

**Deposits Payable** – Deposits payable represent amounts held for parishes that fall within the jurisdiction of the RCBLV and bear interest due to the depositor at 0.3% per annum. Amounts are held in cash, investments, and parish and clergy loans receivable. Deposits held for the Diocese represent 48% of total deposits payable.

**Donations** – Generally, donated equipment and materials, if significant in amount, are recorded at their fair market value, provided CDLV CMC has a clearly measurable and objective basis for determining the value.

**Functional Allocation of Expenses** – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and statement of functional expenses. Accordingly, certain costs have been directly allocated among program and supporting services benefited.

**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.

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

**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 MANAGEMENT CORPORATION

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

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### 3. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

CDLV CMC receives investment income as its primary source of revenue, all of which is available to meet cash needs for general expenditures. CDLV CMC 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 CMC'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	\$ 8,065,639	\$ 23,274,344
Investments	34,223,943	23,798,306
Interest receivable	71,463	35,903
Current portion of parish and clergy loans	1,130,619	634,660
Financial assets available to meet cash needs for general expenditures	<u>\$ 43,491,664</u>	<u>\$ 47,743,213</u>

### 4. INVESTMENTS AND FAIR VALUE

Investments are all considered trading securities and consist of the following at June 30:

	As of June 30,	
	2021	2020
Government bonds	\$ 29,301,335	\$ 21,351,689
Corporate bonds	246,844	388,309
Corporate stocks	3,924,493	2,058,308
Mutual funds	751,271	-
Total investments	<u>\$ 34,223,943</u>	<u>\$ 23,798,306</u>

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.

*Publicly traded investments* – 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.

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

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

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

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

CDLV CMC’s only assets valued at fair value are its investments. CDLV CMC holds all of its investments in publicly traded equity or debt instruments, as follows:

	2021	Level 1	Level 2	Level 3
Publicly traded investments	<u>\$ 34,223,943</u>	<u>\$ 34,223,943</u>	<u>\$ -</u>	<u>\$ -</u>
	2020	Level 1	Level 2	Level 3
Publicly traded investments	<u>\$ 23,798,306</u>	<u>\$ 23,798,306</u>	<u>\$ -</u>	<u>\$ -</u>

**5. PARISH AND CLERGY LOANS**

Parish and clergy loans consist of the following:

	As of June 30,	
	2021	2020
Gross parish and clergy loans	<u>\$ 19,676,806</u>	<u>\$ 15,795,558</u>
Allowance for doubtful accounts	<u>(1,675,442)</u>	<u>(2,843,662)</u>
	18,001,364	12,951,896
Less: current portion	<u>(1,130,619)</u>	<u>(634,660)</u>
Parish and clergy loans, net of current, allowance, and discount	<u>\$ 16,870,745</u>	<u>\$ 12,317,236</u>

During the year ended June 30, 2020, certain parish and clergy loans receivable were identified as not being collectible due to the impact of the Coronavirus pandemic (Note 7). CDLV CMC recorded \$1,922,576 of bad debt expense to increase the allowance for these parish and clergy loans which included all outstanding loans that had previously been discounted. As the loans were considered to no longer be collectible, the outstanding discounts on the loans were reversed and netted to present the full allowance on the outstanding receivables.

During the year ended June 30, 2021, certain parish loans previously identified as not being collectible due to the impact of the Coronavirus pandemic were considered to be collectible due to reduced restrictions on church attendance. CDLV CMC recorded a \$1,123,527 gain on change in receivable allowance to recognize the reduction in the allowance account. The reduction in the allowance did not impact any previously reversed discounts on outstanding loans as all loans that had previously been discounted remained fully reserved at June 30, 2021.

# CATHOLIC DIOCESE OF LAS VEGAS CAPITAL MANAGEMENT CORPORATION

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

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### 6. RELATED PARTY TRANSACTIONS

CDLV CMC 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 Funding Corporation (“CDLV CFC”) and the Diocese, through common control from the RCBLV.

In November 2011, CDLV CFC, the RCBLV, and CDLV CMC 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 remaining 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 RCBLV and first priority security interest in all the of the assets and gross revenues of CDLV CFC, the Diocese, 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 the 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.

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 \$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.

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.

# CATHOLIC DIOCESE OF LAS VEGAS CAPITAL MANAGEMENT CORPORATION

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

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### 6. RELATED PARTY TRANSACTIONS (Continued)

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.

### 7. 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 CMC may experience volatility that may impact results and/or impede general operations. CDLV CMC continues to monitor this unprecedented situation and evaluate the impact of this pandemic on their results.

### 8. 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.