

HOLY CROSS MINISTRIES OF UTAH

FINANCIAL STATEMENTS

December 31, 2016

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CERTIFIED PUBLIC
ACCOUNTANTS AND
BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Holy Cross Ministries of Utah
Salt Lake City, Utah**

We have audited the accompanying financial statements of Holy Cross Ministries of Utah, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and net assets, 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 misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 auditors consider 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 the accounting policies used and 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 Holy Cross Ministries of Utah as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

WSRP, LLC

Salt Lake City, Utah
August 3, 2017

HOLY CROSS MINISTRIES OF UTAH
STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS		
CURRENT ASSETS		
Cash	\$	125,333
Investments		<u>11,425,638</u>
	TOTAL CURRENT ASSETS	<u>11,550,971</u>
PROPERTY AND EQUIPMENT		<u>43,544</u>
	TOTAL ASSETS	<u><u>\$ 11,594,515</u></u>
 LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES		
	\$	<u>90,869</u>
	TOTAL LIABILITIES	90,869
NET ASSETS		
Unrestricted		11,422,269
Temporarily restricted		<u>81,377</u>
	TOTAL NET ASSETS	<u>11,503,646</u>
	TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,594,515</u></u>

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

HOLY CROSS MINISTRIES OF UTAH
STATEMENT OF ACTIVITIES AND NET ASSETS
Year ended December 31, 2016

UNRESTRICTED REVENUES AND SUPPORT	
Grant revenues and contribution income	\$ 848,513
Program fees	366,870
Investment income	87,119
Net assets released from restriction	<u>13,000</u>
TOTAL UNRESTRICTED REVENUES AND SUPPORT	1,315,502
FUNCTIONAL EXPENSES	
Education expenses	678,977
Promotora expenses	312,682
Counseling expenses	119,541
Immigration expenses	684,404
Management and general expenses	<u>145,230</u>
TOTAL FUNCTIONAL EXPENSES	1,940,834
OTHER INCOME	
Net realized investment gains	297,892
Net unrealized investment gains	<u>259,669</u>
TOTAL OTHER INCOME	557,561
DECREASE IN UNRESTRICTED NET ASSETS	<u>(67,771)</u>
TEMPORARILY RESTRICTED NET ASSETS	
Contributions	56,187
Investment income	2,290
Net assets released from restriction	<u>(13,000)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>45,477</u>
DECREASE IN NET ASSETS	<u>(22,294)</u>
NET ASSETS	
Balance - beginning of year	<u>11,525,940</u>
Balance - end of year	<u><u>\$11,503,646</u></u>

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

HOLY CROSS MINISTRIES OF UTAH
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2016

	<u>Education Expenses</u>	<u>Promotora Expenses</u>	<u>Counseling Expenses</u>	<u>Immigration Expenses</u>	<u>Management and General Expenses</u>	<u>Total Expenses</u>
Salaries and wages	\$ 434,621	\$ 193,218	\$ 82,499	\$ 489,294	\$ 57,833	\$ 1,257,465
Benefits	114,603	75,320	10,382	135,861	27,442	363,608
Rent	23,431	20,363	12,031	21,359	19,419	96,603
Equipment and building maintenance	8,619	8,865	7,235	14,031	9,759	48,509
Dues and subscriptions	16,980	2,387	1,991	7,899	474	29,731
Depreciation	12,841	1,690	976	1,691	4,056	21,254
Professional fees	20,478	1,344	924	1,374	984	25,104
Supplies	10,995	1,321	503	2,951	2,259	18,029
Travel	13,317	4,051	334	767	3,839	22,308
Communications and public relations	2,952	1,707	585	6,904	3,971	16,119
Investment fees	2,294	2,208	2,073	2,239	2,239	11,053
Charitable donations	9,118	18	18	18	43	9,215
Miscellaneous	8,728	190	(10)	16	12,912	21,836
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 678,977</u></u>	<u><u>\$ 312,682</u></u>	<u><u>\$ 119,541</u></u>	<u><u>\$ 684,404</u></u>	<u><u>\$ 145,230</u></u>	<u><u>\$ 1,940,834</u></u>

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

HOLY CROSS MINISTRIES OF UTAH
STATEMENT OF CASH FLOWS
Year ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (22,294)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Depreciation	21,254
Investment gains	(559,851)
Equipment purchased through accounts payable	(5,985)
Change in accounts payable and accrued expenses	<u>(46,688)</u>
Net cash used by operating activities	(613,564)
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash paid for purchases of equipment	(10,988)
Cash from sale of investments	574,998
Cash received from note receivable	<u>150,000</u>
Net cash flows from investing activities	<u>714,010</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,446
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>24,887</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 125,333</u></u>

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

HOLY CROSS MINISTRIES OF UTAH
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Holy Cross Ministries of Utah (the Organization) is a Utah non-profit organization. The Organization is organized for the purposes of engaging in charitable benevolent, eleemosynary, educational, and scientific activities and purposes, all in furtherance of the healing mission of the Roman Catholic Church and care for the poor and underserved.

The Organization is sponsored by the Congregation of the Sisters of the Holy Cross (the Congregation), a religious institute of the Roman Catholic Church. The Organization is exempt from federal income taxes on related activities pursuant to Section 501(a) if the Internal Revenue Code.

The mission statement of the Organization is:

We respond to the underserved for needs, health, and well being. We share God-given resources, connect people to community services, and assist individuals and families towards independence and full participation in the community. We do this to fulfill the mission of Jesus Christ and in the spirit of the Sisters of the Holy Cross.

The Organization fulfills its mission by soliciting and receiving gifts, grants, bequests, contributions, and other financial aid from the general public and other sources, including lawful grants and distributions from foundations or current affiliates of The Organization. The Organization has the authority to accumulate, distribute, and administer such funds and property in accordance with the discretion of its Board of Trustees (the Board) for the purposes of: (1) working in a cooperative ministry with Catholic Community Services-Utah (CCS) to respond to the unmet needs in Utah communities; (2) developing and delivering services complementary to those of CCS with specific emphasis on outreach to the undocumented, underserved, and at-risk persons - in education, health, and social services - with priority given to women, children, and the elderly; (3) providing other support to people in the community through charitable and benevolent programs; and (4) providing assistance and meeting the current and capital needs of any qualified, tax-exempt organization.

Accounting Principles

The Organization's accounting policies conform to accounting principles generally accepted in the United States of America (GAAP). Contributions and net assets are classified into three categories based on donor-imposed restrictions as follows:

- Unrestricted contributions and net assets represent expendable funds available for operations which are not otherwise limited by donor restrictions.
- Temporarily restricted contributions and net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

HOLY CROSS MINISTRIES OF UTAH
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Principles (continued)

- Permanently restricted contributions and net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Use of Estimates

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

Concentrations of Credit Risk

The Organization's financial instruments that may be exposed to concentrations of credit risk consist primarily of temporary cash investments and investments.

The Organization maintains its cash balances at financial institutions. At times such balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

As discussed in Note 2, most of the Organization's investments are held and managed by the Congregation. Accordingly the Organization believes it is not exposed to any significant credit risk on investments.

Cash and Cash Equivalents

Cash equivalents are generally comprised of certain highly liquid investments with maturities of three months or less at the date of purchase.

Investments

The Organization's investments are reported at fair value, with unrealized gains and losses included in income. Realized gains and losses are determined on the basis of the actual cost of the securities sold. Permanent declines in value, if any, are included in income. Dividends on equity securities are recognized in income when declared.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation. Expenditures that increase values or extend useful lives are capitalized and routine maintenance and repairs are charged to expense in the year incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation begins in the month of acquisition or when constructed or developed assets are ready for their intended use.

HOLY CROSS MINISTRIES OF UTAH
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Fair Value of Investments

Fair value is defined as the amount 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. The following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

- Level 1 inputs are quoted prices for identical assets and liabilities in active markets.
- Level 2 inputs are observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar assets and liabilities in markets that are not active.
- Level 3 inputs are unobservable inputs that reflect the Organization's own assumptions, consistent with reasonably available assumptions made by other market participants.

Revenue Recognition

Program fees consist of revenues earned in conducting the Organization's programs and services and are charged on a sliding scale based on the participant's ability to pay. The Organization charges a nominal fee to families who participate in its after-school, summer, and school readiness programs, as well as for legal immigration services, and recognizes program fee revenue when the service is provided and payment is reasonably assured.

Contributions of donated cash and other assets are recorded at their fair values in the period in which they are received.

Subsequent Events

Management of the Organization has evaluated subsequent events through August 3, 2017, which is also the date the financial statements were available to be issued. No subsequent events were noted during this evaluation that require recognition or disclosure in these financial statements.

HOLY CROSS MINISTRIES OF UTAH
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - INVESTMENTS

Investments are as follows:

Investments held in the Augusta Fund	\$11,329,371
Other investments	<u>96,267</u>
	<u><u>\$11,425,638</u></u>

The Organization has commingled assets in the Augusta Fund of the Congregation. Such investments are held and managed by the Congregation. Investment income from the Augusta Fund is utilized to support operational activities. The Organization participates in a pro rate share of interest and dividend income, income (loss) from partnerships, realized gains and losses on investments, and investment fees and expenses.

The fair value measurements for the Organization's investments are as follows:

	Fair Value Measurement			
	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 93,946	\$ 93,946	\$ -	\$ -
U.S. government securities	171,420	130,072	41,348	-
Mortgage and asset backed securities	182,408	-	182,408	-
Corporate and municipal bonds	451,527	-	451,527	-
Equity securities	3,875	3,820	55	-
Cash and cash equivalents	<u>220,353</u>	<u>220,353</u>	<u>-</u>	<u>-</u>
Total investments in the fair value hierarchy	1,123,529	448,191	675,338	-
Investment measured at net asset value	<u>10,302,109</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 11,425,638</u></u>	<u><u>\$ 448,191</u></u>	<u><u>\$ 675,338</u></u>	<u><u>\$ -</u></u>

The Organization's investments measured at net asset value consist of the Catholic Endowment Fund, the Endowment Fund Pool, various hedge funds, and an interest in a perpetual trust. The net asset value is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value.

HOLY CROSS MINISTRIES OF UTAH
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - INVESTMENTS (CONTINUED)

The Catholic Endowment Fund is a private investment partnership designed for nonprofit organizations. The assets of the partnership may be invested with independent money managers or in other collective interest vehicles such as exchange-traded funds, open-end mutual funds, and private investment funds. The Fund invests in a broad variety of assets, including global equities, high-yield bonds, commodities, REITs, TIPS, inflation-linked bonds, and cash equivalents.

The objectives of the Endowment Fund Pool are to provide a predictable stable stream of earnings to ensure that the purchasing power of the fund assets does not decline over time. The pool consists of short-term investments, public equities, fixed income, securities, marketable alternatives, private equity, realer estate, and other real assets.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are as follows:

Cost:	
Vehicles	\$ 262,370
Computers and software	118,709
Furniture and equipment	127,873
Leasehold improvements	<u>18,478</u>
	527,430
Accumulated depreciation	<u>(483,886)</u>
	<u><u>\$ 43,544</u></u>

NOTE 4 - RELATED ENTITY TRANSACTIONS

The Congregation holds and manages the Augusta Fund on behalf of the Organization. See Note 2 for details. The Congregation also processes payroll on behalf of the Organization.

HOLY CROSS MINISTRIES OF UTAH
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - OPERATING LEASES

The Organization leases office space and office equipment under non-cancelable operating leases. Total rent expense for the year ended December 31, 2016 was \$96,603.

Future minimum lease payments are as follows:

2017	\$ 97,346
2018	95,353
2019	89,374
2020	89,245
2021	88,858
Thereafter	<u>162,906</u>
	<u><u>\$ 623,082</u></u>

NOTE 6 - EMPLOYEE BENEFIT PLAN

The Organization maintains a 403(b) retirement savings plan (the Plan) for the benefit of its employees. The Organization made payments of \$10,375 to the Plan during 2016.