

FINANCIAL STATEMENTS (UNAUDITED)

Holy Cross Ministries of Utah  
Years Ended December 31, 2015 and 2014  
With Independent Accountants' Review Report

Ernst & Young LLP



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Holy Cross Ministries of Utah  
Financial Statements (Unaudited)  
Years Ended December 31, 2015 and 2014

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## Independent Accountants' Review Report

The Board of Trustees  
Holy Cross Ministries of Utah

We have reviewed the accompanying financial statements of Holy Cross Ministries of Utah (Ministries), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of corporation management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free of material misstatement, whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in conformity with U.S. generally accepted accounting principles. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

April 27, 2016

## Holy Cross Ministries of Utah

### Statements of Financial Position (Unaudited)

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash, cash equivalents, and investments:		
Cash and cash equivalents	\$ 24,887	\$ 25,334
Investments held in the Augusta Fund	11,344,625	12,209,056
Other investments	246,160	253,959
Total cash, cash equivalents, and investments	11,615,672	12,488,349
Prepaid expenses	–	6,676
Property and equipment:		
Furniture and fixtures	229,609	229,609
Automobile fleet	262,370	262,370
Leasehold improvements	18,478	18,478
	510,457	510,457
Less accumulated depreciation	462,632	432,799
Total property and equipment	47,825	77,658
Total assets	\$ 11,663,497	\$ 12,572,683
<b>Liabilities and net assets</b>		
Accounts payable and accrued expenses	\$ 137,557	\$ 129,249
Net assets:		
Unrestricted, including Board designated	11,490,040	12,400,568
Temporarily restricted	35,900	42,866
Total net assets	11,525,940	12,443,434
Total liabilities and net assets	\$ 11,663,497	\$ 12,572,683

*See accompanying notes to financial statements and Independent Accountants' Review Report.*

## Holy Cross Ministries of Utah

### Statements of Activities and Changes in Net Assets (Unaudited)

	<b>Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Changes in unrestricted net assets</b>		
Support and revenue:		
Contributions, grants and bequests	\$ 701,921	\$ 655,363
Cost-sharing income	7,000	-
Program fees	388,966	446,560
	1,097,887	1,101,923
Investment income:		
Interest and dividends	190,172	234,905
Net realized gain on investments	211,002	488,015
Net unrealized loss on investments	(477,388)	(204,931)
Investment fees and expenses	(40,703)	(49,564)
Net investment (loss) gain	(116,917)	468,425
Gain on sale of equipment	-	1,000
Net assets released from restrictions	16,805	15,400
Total unrestricted support and revenue	997,775	1,586,748
Expenses:		
Salaries	1,233,564	1,310,811
Benefits	324,341	188,786
Professional fees	43,794	82,589
Supplies	31,828	27,045
Dues, subscriptions, and conferences	29,204	25,431
Communication and public relations	18,819	19,240
Travel	29,343	39,688
Rent	90,879	76,916
Equipment and building maintenance	59,153	67,015
Depreciation	29,833	29,518
Charitable donations	600	972
Other	4,603	1,570
Total expenses	1,895,961	1,869,581
Decrease before other changes in unrestricted net assets	(898,186)	(282,833)
Other changes in unrestricted net assets	(12,342)	-
Decrease in net assets	(910,528)	(282,833)
<b>Changes in restricted net assets</b>		
Contributions	9,840	15,605
Net investment (loss) income	(1)	2,131
Net assets released from restrictions	(16,805)	(15,400)
(Decrease) increase in restricted net assets	(6,966)	2,336
Decrease in net assets	(917,494)	(280,497)
Net assets at beginning of year	12,443,434	12,723,931
Net assets at end of year	\$ 11,525,940	\$ 12,443,434

*See accompanying notes to financial statements and Independent Accountants' Review Report.*

# Holy Cross Ministries of Utah

## Statements of Cash Flows (Unaudited)

	<b>Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Operating activities</b>		
Decrease in net assets	\$ (917,494)	\$ (280,497)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	29,833	29,518
Decrease (increase) in temporarily restricted net assets	6,966	(2,336)
Investments	872,230	367,626
Changes in operating assets and liabilities:		
Prepaid expenses	6,676	56
Accounts payable and accrued expenses	8,308	(107,952)
Net cash provided by operating activities	<b>6,519</b>	6,415
<b>Investing activities</b>		
Changes in property and equipment	-	(34,314)
Cash used in investing activities	-	(34,314)
<b>Financing activities</b>		
(Decrease) increase in temporarily restricted net assets	(6,966)	2,336
Cash (used in) provided by financing activities	<b>(6,966)</b>	2,336
Decrease in cash and cash equivalents	(447)	(25,563)
Cash and cash equivalents at beginning of year	25,334	50,897
Cash and cash equivalents at end of year	<b>\$ 24,887</b>	\$ 25,334

*See accompanying notes to financial statements and Independent Accountants' Review Report.*

# Holy Cross Ministries of Utah

## Notes to Financial Statements (Unaudited)

December 31, 2015 and 2014

### 1. Organization and Significant Accounting Policies

#### Organization

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

Ministries, a Utah not-for-profit corporation, 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 mission statement of Ministries is:

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

Ministries 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 Ministries. Ministries 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 being 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.

*See Independent Accountants' Review Report.*

# Holy Cross Ministries of Utah

## Notes to Financial Statements (continued) (Unaudited)

### 1. Organization and Significant Accounting Policies (continued)

#### Basis of Presentation

The accompanying financial statements of Ministries have been prepared on an accrual basis.

#### Net Assets

Net assets are allocated to and accounted for based upon the donor-intended purpose. Unrestricted net assets have no donor-imposed restrictions. In addition, Ministries has received certain gifts of cash, securities and other assets for specific purposes as restricted by the donors, and these amounts are reported as temporarily restricted assets when received. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Ministries reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Ministries reports expirations of donor restrictions when a donated or acquired long-lived asset is placed in service.

Net assets released from donor restrictions as a result of incurring expenses to satisfy the restricted purposes, or by occurrence of other events specified by donors, were \$16,805 and \$15,400 for the years ended December 31, 2015 and 2014, respectively.

Resources arising from the results of operations or assets designated by the Board are not considered to be donor-restricted.

#### Cash and Cash Equivalents

Ministries has defined cash equivalents as highly liquid investments with original maturity dates of 90 days or fewer from the date of purchase. The carrying amounts reported in the statements of financial position for cash and cash equivalents approximate fair value.

*See Independent Accountants' Review Report.*

# Holy Cross Ministries of Utah

## Notes to Financial Statements (continued) (Unaudited)

### **1. Organization and Significant Accounting Policies (continued)**

#### **Investments**

Investments are stated at fair value. Certain other investments are reported at cost, and market values do not differ significantly. The realized gain or loss on investments is the difference between the proceeds received and the cost of investments sold, using the average-cost method.

#### **Property and Equipment**

Property and equipment are recorded on the basis of cost or, if donated, fair market value at the date of donation, adjusted for impairments in value deemed to be other than temporary. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

#### **Contributions, Grants and Bequests**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date that the gift is received or the condition has been satisfied. Donations, grants and bequests are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the restricted purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted donations in the accompanying financial statements.

#### **Cost-Sharing Income**

Cost-sharing income is recognized when expenses related to a grant were incurred or when services were provided. Ministries received a grant from the Park City Municipal Corporation (\$7,000 in 2015) and worked in collaboration with other organizations eligible for reimbursement under Park City Municipal Corporation grants. Upon receipt of the Park City Municipal Corporation funds, Ministries reimbursed the organizations that incurred the allowable expenses.

*See Independent Accountants' Review Report.*

# Holy Cross Ministries of Utah

## Notes to Financial Statements (continued) (Unaudited)

### **1. Organization and Significant Accounting Policies (continued)**

#### **Program Fees**

Program fees consist of revenues earned in conducting Ministries' programs and services and are charged on a sliding scale based on the participant's ability to pay. Ministries 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.

#### **Fair Market Value of Financial Instruments**

Financial instruments consist of cash and cash equivalents, accounts and other receivables, investments, and accounts payable and accrued expenses. The carrying amounts reported in the statements of financial position for accounts and other receivables and accounts payable approximate fair value. Management's estimates of fair market value for investments are presented in Note 2.

#### **Use of Estimates**

Preparation of the financial statements 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.

#### **Reclassifications**

Certain amounts previously reported in 2014 have been reclassified to conform to the presentation used in 2015. These reclassifications did not have any impact on the previously reported net assets.

*See Independent Accountants' Review Report.*

## Holy Cross Ministries of Utah

### Notes to Financial Statements (continued) (Unaudited)

#### 2. Investments

The fair value of investments is comprised of the following:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Holy Cross Ministries:		
Investments held in the Augusta Fund	<b>\$ 11,344,625</b>	\$ 12,209,056
Other investments	<b>246,160</b>	253,959
Total investments	<b>\$ 11,590,785</b>	\$ 12,463,015

Pursuant to the Intercorporate Investment Services Agreement with Sisters of the Holy Cross, Inc. (Sisters), Ministries has commingled assets in the Augusta Fund of Sisters for investment purposes. Ministries participates in a pro rata share of interest and dividend income, income (loss) from partnerships, realized and unrealized gains and losses on investments, and investment fees and expenses.

Investments held in the Augusta Fund are comprised of the following:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Fixed income:		
U.S. government and agency obligations	<b>6%</b>	8%
Mortgage and other asset-backed securities	<b>2</b>	3
Corporate and municipal bonds	<b>8</b>	8
Opportunistic fixed income	<b>20</b>	18
Other fixed-income securities	<b>2</b>	1
Domestic equities	<b>14</b>	14
International equities	<b>6</b>	7
Domestic mutual funds	<b>17</b>	17
Global/international mutual funds	<b>20</b>	19
Alternative and other investments	<b>5</b>	5
Total	<b>100%</b>	100%

*See Independent Accountants' Review Report.*

## Holy Cross Ministries of Utah

### Notes to Financial Statements (continued) (Unaudited)

#### **2. Investments (continued)**

Investments are exposed to various kinds and levels of risk. Fixed-income securities expose Ministries to interest rate risk, credit risk and liquidity risk. As interest rates change, the value of many fixed-income securities may be affected. Credit risk is the risk that the obligor of the security will not fulfill its obligation. Liquidity risk is affected by the willingness of market participants to buy and sell given securities.

Equity securities, including mutual funds, expose Ministries to market risk, performance risk and liquidity risk. Market risk is the risk associated with movements of the equity markets, both foreign and domestic. Performance risk is that risk associated with a company's operating performance.

Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

*See Independent Accountants' Review Report.*

## Holy Cross Ministries of Utah

### Notes to Financial Statements (continued) (Unaudited)

#### 2. Investments (continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following tables present the financial instruments carried at fair value as of December 31, 2015 and 2014, on the statements of financial position with captions that reflect the valuation hierarchy defined above:

Assets	December 31, 2015			
	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	\$ 24,887	\$ –	\$ –	\$ 24,887
Fixed-income securities	21,746	150,000	–	171,746
Mutual funds	74,414	–	–	74,414
Total other investments	<u>\$ 121,047</u>	<u>\$ 150,000</u>	<u>\$ –</u>	<u>\$ 271,047</u>

Approximately 34% and 14% of total investments in the Augusta Fund were considered Level 1 and Level 2, respectively, at December 31, 2015, as defined by ASC Topic 820. The remaining 52% of investments held in the Augusta Fund were measured at net asset value or accounted for using the equity method of accounting and were not required to be reported under the ASC 820 fair value hierarchy.

Assets	December 31, 2014			
	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	\$ 25,334	\$ –	\$ –	\$ 25,334
Fixed-income securities	25,408	150,000	–	175,408
Mutual funds	78,551	–	–	78,551
Total other investments	<u>\$ 129,293</u>	<u>\$ 150,000</u>	<u>\$ –</u>	<u>\$ 279,293</u>

Approximately 35% and 14% of total investments in the Augusta Fund were considered Level 1 and Level 2, respectively, at December 31, 2014, as defined by ASC Topic 820. Approximately 51% of investments held in the August Fund were measured at net asset value or accounted for using the equity method of accounting and were not required to be reported under the ASC 820 fair value hierarchy.

*See Independent Accountants' Review Report.*

# Holy Cross Ministries of Utah

## Notes to Financial Statements (continued) (Unaudited)

### 2. Investments (continued)

Following is a description of the valuation methodologies used for the measurement of assets at fair value:

- Fixed-income securities – Fair value is based on quoted market prices where available and, therefore, reflected as Level 1. Fair value for fixed-income securities classified as Level 2 investments is based on quoted market prices of comparable instruments.
- Mutual funds – Fair value is based on quoted market prices and, therefore, classified as Level 1 as defined by ASC 820 hierarchy.
- Augusta Fund – Consists of fixed-income securities, domestic and international equities, and mutual funds. Fair value is based on quoted market prices, where available. Otherwise, the fair value is based on quoted market prices of comparable instruments.

Other investments include \$150,000 at both December 31, 2015 and 2014, that were accounted for using the equity method of accounting and were not required to be reported under the ASC 820 fair value hierarchy.

### 3. Net Assets

Net assets include the following balances:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Unrestricted, including Board-designated	<b>\$ 11,490,040</b>	\$ 12,400,568
Temporarily restricted net assets:		
Jameson Family Scholarship	<b>9,492</b>	14,192
O’Pry Scholarship Fund	<b>26,408</b>	25,264
Melville Education Fund	–	3,410
Total temporarily restricted net assets	<b>35,900</b>	42,866
Total net assets	<b>\$ 11,525,940</b>	\$ 12,443,434

*See Independent Accountants’ Review Report.*

# Holy Cross Ministries of Utah

## Notes to Financial Statements (continued) (Unaudited)

### 3. Net Assets (continued)

Restricted net assets of Ministries are donor restricted. Temporarily restricted net assets are those assets whose use has been limited by donors to a specific time period or purpose. The Jameson Family Scholarship and O’Pry Scholarship Fund limit the use of the temporarily restricted funds and the related income to scholarships for students who meet specific criteria established by the donors. The Melville Education Fund is restricted for educational or other needs as determined by Ministries. In addition, the principal balance of the Melville fund is restricted from use for ten years from the contribution date of December 13, 2007, at which point the principal balance can be released from restriction and used by Ministries. In October 2015, Ministries was contacted by the donor who requested that “...any money remaining in this fund be released for immediate use for any education related purpose.” As such, Ministries withdrew the funds from the Melville Education Fund in December 2015 to support the after-school and school readiness programs.

### 4. Functional Classification of Expenses

Expenses incurred were for:

	Year Ended December 31	
	2015	2014
General and administrative services	\$ 124,426	\$ 110,409
Education services	638,925	625,667
Outreach services	226,225	239,360
Immigration	663,835	735,247
Counseling	158,991	102,445
Parish health services	83,559	56,453
Total expenses	<u>\$ 1,895,961</u>	<u>\$ 1,869,581</u>

### 5. Lease Commitments

Ministries leases an office building and certain equipment in Utah. Rent expense was \$90,879 and \$76,916 for the years ended December 31, 2015 and 2014, respectively. Commitments during 2016 for noncancelable operating leases are \$74,048.

*See Independent Accountants’ Review Report.*

## Holy Cross Ministries of Utah

### Notes to Financial Statements (continued)

*(Unaudited)*

#### **6. Related-Party Transactions**

Ministries participates in a noncontributory, multiemployer, defined-benefit retirement plan for eligible employees of organizations sponsored by the congregation. The plan is administered by CHE Trinity Health through the CHE Trinity Health Pension Master Trust. Contributions required to be made to the plan by Ministries are based on actuarial calculations applied to Ministries' eligible employees and Ministries' allocated plan assets. Ministries made contributions in the amount of its allocated expense of \$28,785 and \$42,631 in the years ended December 31, 2015 and 2014, respectively.

Through self-insured plans administered by CHE Trinity Health, Ministries provides health, life, and long-term disability benefits to its employees. Expenses for these benefits were \$165,634 and \$149,976 for the years ended December 31, 2015 and 2014, respectively.

#### **7. Subsequent Events**

Ministries evaluated events and transactions occurring subsequent to December 31, 2015 through April 27, 2016, the date the financial statements were available to be issued, and determined that none needed to be reported herein.

*See Independent Accountants' Review Report.*

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