

**CATHOLIC TUITION ORGANIZATION,
DIOCESE OF DES MOINES**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021



CPAs | CONSULTANTS | WEALTH ADVISORS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Catholic Tuition Organization, Diocese of Des Moines
Des Moines, Iowa

We have reviewed the accompanying financial statements of Catholic Tuition Organization, Diocese of Des Moines (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities 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 entity 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 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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 accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountants' 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 accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
February 10, 2023

CATHOLIC TUITION ORGANIZATION, DIOCESE OF DES MOINES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	2022	2021
ASSETS		
Cash	\$ 951,304	\$ 356,854
Accounts Receivable	-	47,812
Investments	3,496,112	3,662,552
Total Assets	\$ 4,447,416	\$ 4,067,218
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 5,497	\$ 2,405
Accounts Payable - Related Party	9,463	30,019
Payroll Liabilities	13,934	12,428
Tuition Grants Payable	4,117,315	3,740,833
Total Liabilities	4,146,209	3,785,685
NET ASSETS		
Without Donor Restrictions	301,207	281,533
Total Liabilities and Net Assets	\$ 4,447,416	\$ 4,067,218

See accompanying Notes to Financial Statements.

CATHOLIC TUITION ORGANIZATION, DIOCESE OF DES MOINES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	<u>2022</u>	<u>2021</u>
	Without Donor Restrictions	Without Donor Restrictions
SUPPORT AND REVENUE		
Contributions	\$ 4,049,513	\$ 3,618,072
Investment Income, Net	(107,537)	12,370
PPP Loan Forgiveness	-	23,900
Total Support and Revenue	<u>3,941,976</u>	<u>3,654,342</u>
 EXPENSES		
Program Services:		
Scholarships	3,618,110	3,363,126
Contributions	35,000	100,977
Total Program Services	<u>3,653,110</u>	<u>3,464,103</u>
 Management and General:		
Salaries	146,585	116,902
Employee Benefits	21,627	15,993
Payroll Taxes	11,018	8,395
Supplies	3,031	509
Parking	-	920
Travel	1,555	315
Bank Fees	15,131	19,532
Rent	5,211	4,311
Professional Fees	11,468	11,021
Insurance	138	123
Contract Services	361	3,096
Total Management and General	<u>216,125</u>	<u>181,117</u>
 Fundraising		
Printing and Publications	1,100	1,326
Advertising	51,967	25,577
Total Fundraising	<u>53,067</u>	<u>26,903</u>
 Total Expenses	<u>3,922,302</u>	<u>3,672,123</u>
 CHANGES IN NET ASSETS	19,674	(17,781)
 Net Assets - Beginning of Year	<u>281,533</u>	<u>299,314</u>
 NET ASSETS - END OF YEAR	<u><u>\$ 301,207</u></u>	<u><u>\$ 281,533</u></u>

See accompanying Notes to Financial Statements.

CATHOLIC TUITION ORGANIZATION, DIOCESE OF DES MOINES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 19,674	\$ (17,781)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
PPP Loan Forgiveness	-	(23,900)
Unrealized Losses on Investments	97,748	45,733
Realized Losses on Investments	57,083	6,724
Change in Assets and Liabilities:		
Accounts Receivable - Related Party	-	329
Accounts Receivable - Other	47,812	(47,812)
Tuition Grant Payable	376,482	129,483
Accounts Payable	3,092	717
Accounts Payable - Related Party	(20,556)	30,019
Payroll Liabilities	1,506	2,288
Net Cash Provided by Operating Activities	582,841	125,800
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	1,071,535	1,350,121
Purchase of Investments	(1,059,927)	(1,718,237)
Net Cash Provided (Used) by Investing Activities	11,608	(368,116)
NET INCREASE (DECREASE) IN CASH	594,450	(242,316)
Cash - Beginning of Year	356,854	599,170
CASH - END OF YEAR	\$ 951,304	\$ 356,854

See accompanying Notes to Financial Statements.

CATHOLIC TUITION ORGANIZATION, DIOCESE OF DES MOINES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Catholic Tuition Organization, Diocese of Des Moines (the Organization) is a nonprofit corporation organized under the laws of the state of Iowa. Its purpose is to provide tuition support to eligible students at qualified schools within the state of Iowa, pursuant to the provisions of the Iowa law governing school tuition organizations.

The Organization has been organized to operate as a "school tuition organization" as defined by Iowa Code Section 422.11. Accordingly, 90% of the Organization's annual revenue must be allocated to tuition grants for children to allow them to attend a qualified school in Iowa of their parents' choice. Donors to the Organization receive an Iowa income tax credit of 65% of their contribution, which increased to 75% effective January 2021.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as without donor restricted contributions in the accompanying financial statements.

Intentions to give to the Organization which are not legally enforceable are recorded as contribution revenue in the statement of activities when the contributions are collected.

Cash

Cash consists of a single checking account at a local bank. The Organization considers cash management funds held in brokerage accounts to be investments.

Investments

Investments are recorded at fair market value, with gains and losses resulting from market fluctuations recognized in the period in which the fluctuations occur.

CATHOLIC TUITION ORGANIZATION, DIOCESE OF DES MOINES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition Grants Payable

Tuition grants payable represents the amount the Organization is legally required to distribute during the following year and are reported as liabilities at year-end. Because the Organization is a school tuition organization, 90% of all revenues earned are required to be distributed in the form of tuition grants.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization is not required to file an annual return for organizations exempt from income tax.

Concentration of Credit Risk

The Organization's cash balances may exceed the FDIC insurance level from time to time.

Functional Expense Allocations

The allocation of all expenses shown on the statement of activities is made by direct assignment of costs, no expenses have been allocated.

Adoption of Accounting Principle

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued to improve the effectiveness of disclosures related to contributions of nonfinancial assets. This adoption had no impact on the Organization's financial position.

Subsequent Events

Management has evaluated subsequent events through February 10, 2023, the date which the financial statements were available for issue.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The following table reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of purpose restrictions.

	2022	2021
Cash	\$ 951,304	\$ 356,854
Accounts Receivable	-	47,812
Investments	3,496,112	3,662,552
Total	<u>\$ 4,447,416</u>	<u>\$ 4,067,218</u>

CATHOLIC TUITION ORGANIZATION, DIOCESE OF DES MOINES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
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NOTE 3 INVESTMENTS AND INVESTMENT RETURN

The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices of similar assets or liabilities in active markets or quoted prices for identical or similar assets in inactive markets, and Level 3 inputs have the lowest priority. The Organization holds funds at the Catholic Foundation. The interest in these assets is valued at net asset value of the Organization's share of the investment pool. The unobservable inputs are the underlying assets and follow the Catholic Foundation's investment policy. The underlying assets consist of marketable securities that are either classified as Level 1 or Level 2 assets. There are no unfunded commitments or redemptions associated with these assets.

Fair value of assets measured on a recurring basis are as follows at June 30:

	2022			
	Level 1	Level 2	Level 3	Total
Undivided Interest in Investment				
Funds Held by Catholic Foundation	\$ -	\$ -	\$ 3,496,112	\$ 3,496,112
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,496,112</u>	<u>\$ 3,496,112</u>
	2021			
	Level 1	Level 2	Level 3	Total
Undivided Interest in Investment				
Funds Held by Catholic Foundation	\$ -	\$ -	\$ 3,662,552	\$ 3,662,552
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,662,552</u>	<u>\$ 3,662,552</u>

The following table provides further details at the Level 3 fair value measurements:

	2022	2021
Balance - Beginning of Year	\$ 3,662,552	\$ 3,346,893
Contributions	254,697	1,113,927
Investment Return, Net	(107,537)	18,182
Sales	(313,600)	(816,450)
Balance - End of Year	<u>\$ 3,496,112</u>	<u>\$ 3,662,552</u>

	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2022	2021		
Undivided Interest in Investment			Net Asset	Value of
Funds Held by Catholic Foundation	\$ 3,496,112	\$ 3,662,552	Value	Underlying Assets

CATHOLIC TUITION ORGANIZATION, DIOCESE OF DES MOINES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 3 INVESTMENTS AND INVESTMENT RETURN (CONTINUED)

The following schedule summarizes investment income for the years ended June 30:

	2022	2021
Net Realized and Unrealized Losses on Investments	\$ (154,831)	\$ (52,457)
Interest	56,409	67,909
Investment fees	(9,115)	(3,082)
Total Investment Income	\$ (107,537)	\$ 12,370

NOTE 4 RELATED PARTY TRANSACTIONS

The Administrative Offices of the Roman Catholic Diocese of Des Moines, an affiliated entity, provided office space to the Organization as well as certain administrative and accounting support and parking. Total advertising, rent, parking, and accounting services expense for the years ended June 30, 2022 and 2021 was \$16,903 and \$19,752, respectively. The Organization had a payable to the Administrative Offices for the years ended June 30, 2022 and 2021 of \$9,463 and \$30,019, respectively.

NOTE 5 RETIREMENT PLAN

All eligible employees participate in the Diocese's 403(b) plan. Contributions by the Organization are equal to 50% of employee elective deferrals up to a maximum of 8% of eligible compensation for certain employees and an additional 2% for other employees, based on the date of employment. The Organization's contribution to this plan for the years ended June 30, 2022 and 2021 was \$5,401 and \$4,790, respectively.

NOTE 6 CONCENTRATIONS

The amount of contributions to the Organization is significantly dependent on the amount of Iowa income tax credit certificates that the Organization is authorized to issue. A reduction in the funding of the income tax credit by the state of Iowa, or the repeal of the income tax credit, would likely have a significant impact on the Organization's ability to continue its activities.



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