



**CATHOLIC DIOCESE OF SALT LAKE CITY
REAL ESTATE CORPORATION**

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

**CATHOLIC DIOCESE OF SALT LAKE CITY
REAL ESTATE CORPORATION**

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KPMG LLP
Suite 1500
15 W. South Temple
Salt Lake City, UT 84101

Independent Auditors' Report

The Most Reverend Oscar A. Solis:

We have audited the accompanying financial statements of the Catholic Diocese of Salt Lake City Real Estate Corporation (the Corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years 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 U.S. generally accepted accounting principles; 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 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 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 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 Salt Lake City Real Estate Corporation as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in Note 1(k) to the financial statements, on July 1, 2018, the Corporation adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, requiring a change in the presentation of net assets and enhanced financial statement disclosures. Our opinion is not modified with respect to this matter.

KPMG LLP

Salt Lake City, Utah
September 20, 2019

**CATHOLIC DIOCESE OF SALT LAKE CITY
REAL ESTATE CORPORATION**

Statements of Financial Position

June 30, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,065,671	375,639
Investments	1,414,983	1,676,137
Land	21,414,413	22,105,357
Buildings and equipment, net	<u>17,381,363</u>	<u>18,930,922</u>
Total assets	<u><u>\$ 41,276,430</u></u>	<u><u>43,088,055</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ <u>—</u>	<u>—</u>
Total liabilities	<u>—</u>	<u>—</u>
Net assets:		
Without donor restrictions	39,134,232	41,100,643
With donor restrictions	<u>2,142,198</u>	<u>1,987,412</u>
Total net assets	<u>41,276,430</u>	<u>43,088,055</u>
Total liabilities and net assets	<u><u>\$ 41,276,430</u></u>	<u><u>43,088,055</u></u>

See accompanying notes to financial statements.

**CATHOLIC DIOCESE OF SALT LAKE CITY
REAL ESTATE CORPORATION**

Statements of Activities

Years ended June 30, 2019 and 2018

	2019	2018
Changes in net assets without donor restrictions:		
Revenues and gains:		
Rental income	\$ 25,311	39,102
Gain on sale of asset	—	40,387
Interest income	6,603	—
Transfers from other Catholic entities	138,000	337,000
Total revenues and gains without donor restrictions	169,914	416,489
Net assets released from restrictions – satisfaction of program restrictions	2,735	2,223,338
Total revenues, gains, and other support without donor restrictions	172,649	2,639,827
Expenses, losses and transfer:		
Real and personal property:		
Depreciation	1,549,559	1,549,561
Property taxes	66,427	63,617
Operating expenses	28,344	35,513
Loss on sale of asset	394,226	—
Management and general:		
Salaries and benefits	78,000	77,000
Professional fees	22,504	27,272
Total expenses and losses without donor restrictions	2,139,060	1,752,963
Transfer to other Catholic entities	—	2,220,000
Total expenses, losses and transfer without donor restrictions	2,139,060	3,972,963
Decrease in net assets without donor restrictions	(1,966,411)	(1,333,136)
Changes in net assets with donor restrictions:		
Interest and dividend income	51,083	111,148
Net realized gains (losses) on investments	197,014	(48,451)
Net unrealized (losses) gains on investments	(73,510)	78,544
Investment advisory fees	(17,066)	(32,560)
Net assets released from restrictions	(2,735)	(2,223,338)
Increase (decrease) in net assets with donor restrictions	154,786	(2,114,657)
Decrease in net assets	(1,811,625)	(3,447,793)
Net assets at beginning of year	43,088,055	46,535,848
Net assets at end of year	\$ 41,276,430	43,088,055

See accompanying notes to financial statements.

**CATHOLIC DIOCESE OF SALT LAKE CITY
REAL ESTATE CORPORATION**

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (1,811,625)	(3,447,793)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,549,559	1,549,561
Loss (gain) on sale of asset	394,226	(40,387)
Net unrealized losses (gains) on investments	73,510	(78,544)
Net realized (gains) losses on investments	(197,014)	48,451
Changes in operating assets and liabilities:		
Accounts payable	—	(2,997)
Net cash provided by (used in) operating activities	8,656	(1,971,709)
Cash flows from investing activities:		
Purchase of land	—	(199,568)
Proceeds from the sale of land	296,718	50,000
Purchase of investments	(1,884,032)	(2,840,225)
Proceeds from sale of investments	2,268,690	5,256,613
Net cash provided by investing activities	681,376	2,266,820
Net increase in cash and cash equivalents	690,032	295,111
Cash and cash equivalents at beginning of year	375,639	80,528
Cash and cash equivalents at end of year	\$ 1,065,671	375,639
Supplemental disclosure of noncash investing and financing activities:		
Land swap	\$ —	537,810

See accompanying notes to financial statements.

**CATHOLIC DIOCESE OF SALT LAKE CITY
REAL ESTATE CORPORATION**

Notes to Financial Statements

June 30, 2019 and 2018

(1) Organization and Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements include all accounts of the Catholic Diocese of Salt Lake City Real Estate Corporation (the Corporation). The Corporation is to act as a support organization exclusively for the benefit of the Roman Catholic Bishop of Salt Lake City, a Utah Corporation Sole (the Bishop), the Ministries of the Catholic Diocese of Salt Lake City, LLC, a Utah Nonprofit Series Limited Liability Company, including all series established thereunder, and Skaggs Catholic Center, a Utah Nonprofit Liability Company (the affiliated entities). The functional and natural classification of expenses of the Corporation have been presented in the statements of activities.

The Corporation is to own, hold, maintain, preserve, pledge, lease, rent, acquire, sell, transfer, or otherwise hold and dispose of real and personal property exclusively for the benefit of the aforementioned entities.

(b) Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

(i) Without Donor Restrictions

Net assets without donor restrictions represent resources which are not subject to donor restrictions and over which the Corporation retains control to use the funds in order to achieve the Corporation's purpose.

(ii) With Donor Restrictions

Net assets with donor restrictions represent resources subject to donor-imposed restrictions. These net assets are restricted for the purpose of providing maintenance and general operations to the Skaggs Catholic Center and Our Lady of the Mountains retreat house. The amounts restricted for the Skaggs Catholic Center totaled \$2,124,991 and \$1,967,973 as of June 30, 2019 and 2018, respectively. The amounts restricted for the Lady of the Mountains retreat house totaled \$17,207 and \$19,439 as of June 30, 2019 and 2018, respectively. The Corporation has no donor-imposed restrictions that resources are to be maintained in perpetuity as of June 30, 2019 and 2018.

Donor-restricted contributions whose restrictions are not met in the same reporting period are recorded as contributions with donor restrictions then as net assets released from restrictions when restriction is met. Donor restricted funds may only be utilized in accordance with the purpose established by the source of such funds.

(c) Cash Equivalents

Cash equivalents consist of investments in money market funds with original maturity dates to the Corporation of three months or less at the date of purchase. Cash equivalents consist of money market funds and totaled \$710,008 and \$291,083 at June 30, 2019 and 2018, respectively. The cash equivalents are Level 1 securities as described in the fair value hierarchy at note 3 *Fair Value Measurements*.

**CATHOLIC DIOCESE OF SALT LAKE CITY
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Notes to Financial Statements

June 30, 2019 and 2018

(d) Land

Land consists of land used by Catholic-related entities and land held for future sites and is carried at cost. Real estate donated or bequeathed to the Corporation is recorded at its fair market value at the date received. It is a policy of the Corporation to purchase or hold only those sites that are reasonably foreseen to be necessary for the benefit of the aforementioned entities. Land held for future sites consists of 48 and 49 vacant properties totaling \$6,737,389 and \$7,428,333 as of June 30, 2019 and 2018, respectively.

(e) Buildings and Equipment

Buildings and equipment are recorded at cost less accumulated depreciation. Depreciation on buildings and equipment is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful life for buildings and improvements is 15 to 30 years and 5 to 20 years for equipment. Donated assets are recorded at appraised value at the date of donation.

The Corporation incurs maintenance costs on its major equipment. Repair and maintenance costs are expensed as incurred.

(f) Investments

Investments are measured at fair value in the statements of financial position using quoted market prices. Realized and unrealized gains and losses on investments are reported in the statements of activities as increases or decreases in net assets with donor restrictions in accordance with donor instructions. Purchases and sales are recorded on a trade-date basis. Realized gains and losses are determined on a specific-identification basis. Dividend income on securities owned is recorded on the ex-dividend date. Interest income is recognized on the accrual basis.

(g) Rental Income

The Corporation leases land and buildings to third parties. The Corporation recognizes rental income on a straight-line basis over the term of the respective leases.

(h) Income Taxes

No provision for income taxes has been provided as the Corporation is exempt from federal income tax under provisions under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code, as indicated in a determination letter to the United States Conference of Catholic Bishops from the Internal Revenue Service (IRS) dated October 24, 2018.

U.S. generally accepted accounting principles require management to evaluate tax positions taken by the Corporation and recognize a tax liability if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Corporation, and has concluded that as of June 30, 2019, there were no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress.

**CATHOLIC DIOCESE OF SALT LAKE CITY
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(i) Property Taxes

The Corporation holds 48 and 49 vacant properties that are classified as land as of June 30, 2019 and 2018, respectively. These properties are held for future use and since the properties are not currently being used for nonprofit purposes, property taxes are assessed on these properties. The Corporation was assessed \$66,427 and \$63,617 in property taxes in the years ended June 30, 2019 and 2018, respectively.

(j) Use of Estimates

The Corporation has made a number of estimates and assumptions relating to the reporting of assets, revenues, and expenses to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(k) Implementation of New Accounting Pronouncement

Accounting Standards Update (ASU) No. 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14) was issued in a prior year. The main provisions of ASU 2016-14, which amend the requirements for financial statements and notes in Accounting Standards Codification Topic 958, *Not-for-Profit Entities*, require a not-for-profit entity to change the reporting of net asset classes, expenses, and liquidity in their financial statements. This ASU is effective for annual periods in fiscal years beginning after December 15, 2017, although early adoption was permitted. The Corporation adopted ASU 2016-14 in the current year.

The ASU required the following enhanced disclosures that pertain to the Corporation: the composition of net assets with donor restrictions at the end of the period; qualitative information on how the Corporation manages its liquid resources; quantitative and qualitative information on the availability of the Corporation's financial assets at the date of the statement of financial position; amounts of expenses among program and support functions; and methods used to allocate costs among program and support functions.

As a result of these changes, the Corporation now presents the unrestricted and temporarily restricted net assets in the statement of financial position as net assets without donor restrictions and with donor restrictions. Information of liquidity and availability of resources has been disclosed. Costs are classified in each functional category based on the underlying purpose of each transaction. The ASU has been applied retrospectively to all periods presented.

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Notes to Financial Statements

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(2) Buildings and Equipment, Net

Buildings and equipment, net consisted of the following as of June 30, 2019 and 2018:

	<u>Estimated useful lives</u>		<u>2019</u>	<u>2018</u>
Buildings and improvements	15–30 years	\$	41,601,843	41,601,843
Equipment	5–20 years		7,132,542	7,132,542
			48,734,385	48,734,385
Accumulated depreciation			(31,353,022)	(29,803,463)
		\$	<u>17,381,363</u>	<u>18,930,922</u>

(3) Fair Value Measurements

The methodologies used to determine the fair values of assets and liabilities under the “exit price” notion reflect market participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The hierarchy is based on the reliability of inputs as follows:

- Level 1 – Valuation is based upon quoted prices for identical assets and liabilities in active markets. The Corporation does not adjust the quoted price for Level 1 securities.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security’s credit rating, prepayment assumptions, and other factors such as credit loss assumptions for which all significant assumptions are observable in the market.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following tables summarize the levels within the fair value hierarchy in which the fair value measurements of the Corporation’s investments are classified as of June 30, 2019 and 2018:

<u>Asset</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
June 30, 2019:			
Corporation stock (a)	\$ 1,126,656	—	1,126,656
Mutual funds (b)	175,425	—	175,425
Certificates of deposit (d)	—	40,575	40,575
Exchange traded funds (e)	72,327	—	72,327
	<u>\$ 1,374,408</u>	<u>40,575</u>	<u>1,414,983</u>

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<u>Asset</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
June 30, 2018:			
Corporate stocks (a)	\$ 1,386,956	—	1,386,956
Mutual funds (b)	78,328	—	78,328
Government securities (c)	—	210,853	210,853
	<u>\$ 1,465,284</u>	<u>210,853</u>	<u>1,676,137</u>

The investment categories above reflect the fair value of the investments. For each of the categories described above, the fair value of the investments has been determined by obtaining either quoted market prices of the security or quoted market prices of similar, comparable securities.

- (a) This category includes investments in domestic corporate stock.
- (b) This category includes an actively managed pool of securities that trades on a stock exchange.
- (c) This category includes investments in other government securities.
- (d) This category includes bank deposits (time deposits) that earn a contractual rate of interest over a specified period of time.
- (e) The category includes exchange traded funds that trades on a stock exchange.

The Corporation's assets are invested in a variety of investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

(4) Leases

The Corporation leases 12 properties to third parties consisting of two buildings with the remaining leases for single-family homes and vacant land. The leases have terms ranging from one to five years expiring in September 2023. Rental income from these leases totaled \$25,311 and \$39,102 for the years ended June 30, 2019 and 2018, respectively. The minimum rents expected to be received under these noncancelable operating leases as of June 30, 2019 are \$14,481 in 2020, \$9,981 in 2021, \$9,731 in 2022, \$7,581 in 2023 and \$7,581 in 2024, and \$7,481 thereafter.

**CATHOLIC DIOCESE OF SALT LAKE CITY
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Notes to Financial Statements

June 30, 2019 and 2018

(5) Liquidity and Availability

The Corporation regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations as they become due. The Corporation is supported by and exists to benefit the affiliated entities. The majority of the financial assets recorded by the Corporation are not available to support the Corporation's operating needs. The following assets could readily be made available within one year of the date of the statement of financial position to meet general expenditures:

Financial assets:

Cash and cash equivalents	\$ 1,065,671
Investments	<u>1,414,983</u>
	2,480,654

Less those unavailable for general expenditures within one year, due to:

Restricted by donor with purpose restrictions	2,142,198
Amounts set aside by management for future parish	<u>303,321</u>

Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>35,135</u></u>
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(6) Related Party Transactions

The Corporation received services from personnel of an affiliate for which the Corporation was not charged cash. Such services amounted to \$78,000 and \$77,000 for the years ended June 30, 2019 and 2018, respectively. These amounts have been recorded as revenue and expense within the transfers from other Catholic entities and salaries and benefits, in the accompanying statements of activities.

The Corporation receives no remuneration for the use of its property by related entities. Any related maintenance of Corporation-owned properties remains the responsibility of the Corporation.

(7) Subsequent Events

The Corporation has evaluated subsequent events through September 20, 2019, the date the financial statements were available to be issued, and determined there were no items to disclose.