CATHOLIC DIOCESE OF SALT LAKE CITY
REAL ESTATE CORPORATION

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Reverend Monsignor Colin F. Bircumshaw:

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, 2016 and 2015, 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 Catholic Diocese of Salt Lake City Real Estate Corporation as of June 30, 2016 and 2015, and the results of its activities and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Salt Lake City, Utah
September 23, 2016

CATHOLIC DIOCESE OF SALT LAKE CITY
REAL ESTATE CORPORATION

Statements of Financial Position

June 30, 2016 and 2015

Assets		2016	2015
Cash and cash equivalents	$	107,420	50,928
Investments		3,664,837	3,894,707
Land		21,855,402	21,558,402
Buildings and equipment, net		22,030,043	23,571,914
Total assets	$	47,657,702	49,075,951
Net Assets			
Unrestricted	$	43,940,817	45,145,688
Temporarily restricted		3,716,885	3,930,263
Total net assets	$	47,657,702	49,075,951

See accompanying notes to financial statements.

CATHOLIC DIOCESE OF SALT LAKE CITY
REAL ESTATE CORPORATION

Statements of Activities

Years ended June 30, 2016 and 2015

		2016	2015
Changes in unrestricted net assets:			
Revenues and gains:			
Rental income	$	42,244	50,364
Transfers from other Catholic entities		441,600	289,200
Loss on sale of land		—	(200)
Total unrestricted revenues and gains		483,844	339,364
Net assets released from restrictions – satisfaction of program restrictions		9,787	4,688
Total unrestricted revenues, gains, and other support		493,631	344,052
Expenses and losses:			
Depreciation		1,549,375	1,548,926
Salaries and benefits		64,600	62,200
Property taxes		47,763	37,794
Professional fees		14,025	92,231
Operating expenses		22,739	36,680
Total unrestricted expenses and losses		1,698,502	1,777,831
Decrease in unrestricted net assets		(1,204,871)	(1,433,779)
Changes in temporarily restricted net assets:			
Interest and dividend income		159,665	188,380
Net realized losses on investments		(352,177)	(5,782)
Net unrealized gains (losses) on investments		19,937	(566,044)
Investment advisory fees		(31,016)	(35,010)
Net assets released from restrictions		(9,787)	(4,688)
Decrease in temporarily restricted net assets		(213,378)	(423,144)
Decrease in net assets		(1,418,249)	(1,856,923)
Net assets at beginning of year		49,075,951	50,932,874
Net assets at end of year	$	47,657,702	49,075,951

See accompanying notes to financial statements.

CATHOLIC DIOCESE OF SALT LAKE CITY
REAL ESTATE CORPORATION

Statements of Cash Flows

Years ended June 30, 2016 and 2015

		2016	2015
Cash flows from operating activities:			
Decrease in net assets	$	(1,418,249)	(1,856,923)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:			
Depreciation		1,549,375	1,548,926
Net unrealized losses (gains) on investments		(19,937)	566,044
Net realized losses on investments		352,177	5,782
Loss on sale of land		—	200
Noncash conveyance of land from related Catholic entities		(297,000)	(147,000)
Net cash provided by operating activities		166,366	117,029
Cash flows from investing activities:			
Purchase of land, buildings, and equipment		(7,504)	—
Proceeds from sale of land		—	6,000
Purchase of investments		(727,645)	(1,599,545)
Proceeds from sale of investments		625,275	828,011
Net cash used in investing activities		(109,874)	(765,534)
Net increase (decrease) in cash		56,492	(648,505)
Cash at beginning of year		50,928	699,433
Cash at end of year	$	107,420	50,928

See accompanying notes to financial statements.

(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 (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 Limited Liability Company.

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

Net assets and changes in net assets are categorized as unrestricted or temporarily restricted based on the existence or absence of donor-imposed restrictions. Donor-restricted contributions whose restrictions are not in the same reporting period are recorded as temporarily restricted contributions then as unrestricted net assets released from restrictions. Externally restricted funds may only be utilized on accordance with the purpose established by the source of such funds.

The temporarily restricted 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 $3,692,762 and $3,896,846 as of June 30, 2016 and 2015, respectively. The amounts restricted for the Lady of the Mountains retreat house totaled $24,123 and $33,417 as of June 30, 2016 and 2015, respectively. The Corporation has no permanently restricted assets as of June 30, 2016 and 2015.

(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 $27,925 and $2,139 at June 30, 2016 and 2015, respectively. The cash equivalents are Level 1 securities as described in the fair value hierarchy at Note 3 Fair Value Measurements.

(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 49 and 48 vacant properties totaling $7,238,378 and $7,038,378 as of June 30, 2016 and 2015, 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 temporarily restricted net assets. 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 May 29, 2015.

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, 2016, 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. Management believes the Corporation is no longer subject to income tax evaluations for years prior to 2012.

(i) Property Taxes

The Corporation holds 49 vacant properties that are classified as land as of June 30, 2016. 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 $47,763 and $37,794 in property taxes in the years ended June 30, 2016 and 2015, respectively.

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(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) New Accounting Pronouncements

Accounting Standards Update (ASU) No. 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14) was issued in the current 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 is permitted. The Corporation has not adopted ASU 2016-14 in the current year. Management is currently evaluating the future impact of the ASU on the Corporation's financial statements.

(2) Buildings and Equipment, Net

Buildings and equipment, net consisted of the following as of June 30, 2016 and 2015:

	Estimated useful lives		2016	2015
Buildings and improvements	15–30 years	$	41,601,843	41,601,843
Equipment	5–20 years		7,132,542	7,125,038
			48,734,385	48,726,881
Accumulated depreciation			(26,704,342)	(25,154,967)
		$	22,030,043	23,571,914

(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, 2016 and 2015:

Asset	Level 1	Level 2	Total
June 30, 2016:			
Corporate stocks (a)	$ 2,849,063	—	2,849,063
Mutual funds (b)	685,084	—	685,084
Closed-end funds (b)	130,690	—	130,690
	$ 3,664,837	—	3,664,837

Asset	Level 1	Level 2	Total
June 30, 2015:			
Corporate stocks (a)	$ 3,034,996	—	3,034,996
Closed-end funds (b)	859,711	—	859,711
	$ 3,894,707	—	3,894,707

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.

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 or 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 2018. Rental income from these leases totaled $42,244 and $50,364 for the years ended June 30, 2016 and 2015, respectively. The minimum rents expected to be received under these noncancelable operating leases, as of June 30, 2016 are $43,256 in 2017, $7,210 in 2018, $3,511 in 2019, and $0 thereafter.

(5) Related Party Transactions

The Corporation received services from personnel of an affiliate for which the Corporation was not charged cash. Such services amounted to $64,600 and $62,200 for the years ended June 30, 2016 and 2015, 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.

(6) Subsequent Events

The Corporation has evaluated subsequent events through September 23, 2016, the date the financial statements were available to be issued.