Right Answers, Right Here.

TANNER
Accountants & Advisors

Catholic Diocese of Salt Lake City
Real Estate Corporation
Financial Statements
As of and for the Years Ended June 30, 2022 and 2021

Together with Independent Auditors' Report

TANNER

Independent Auditors' Report

The Most Reverend Oscar A. Solis
Catholic Diocese of Salt Lake City
Real Estate Corporation

Opinion

We have audited the accompanying financial statements of the Catholic Diocese of Salt Lake City Real Estate Corporation (the Corporation), which comprise the statement of financial position as of June 30, 2022, the related statements of activities and cash flows for the year then ended, and the related notes to financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Catholic Diocese of Salt Lake City Real Estate Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Catholic Diocese of Salt Lake City Real Estate Corporation as of and for the year ended June 30, 2021 were audited by other auditors whose report dated October 19, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Tanner LLC

October 26, 2022

Statements of Financial Position

	As of June 30,	
	2022	**2021**
Assets		
Cash and cash equivalents	$ 206,292	$ 189,519
Accounts receivable	665	-
Investments	2,928,242	3,385,437
Other assets	310,624	310,624
Land	21,412,013	21,414,413
Buildings and equipment, net	14,613,087	15,535,845
Total assets	$ 39,470,923	$ 40,835,838
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ -	$ 6,763
Total liabilities	-	6,763
Net assets:		
Without donor restrictions	36,370,837	37,287,542
With donor restrictions	3,100,086	3,541,533
Total net assets	39,470,923	40,829,075
Total liabilities and net assets	$ 39,470,923	$ 40,835,838

See accompanying notes to financial statements.

Statements of Activities

	For the years ended June 30,	
	2022	**2021**
Change in net assets without donor restrictions:		
Revenues and gains:		
Rental income	$ 8,760	$ 14,662
Other income (expense)	(2,062)	7,303
Transfers from other Catholic entities	275,783	221,718
Total revenues and gains without donor restrictions	282,481	243,683
Expenses and losses:		
Real and personal property:		
Depreciation	922,758	922,759
Property taxes	116,480	83,927
Operating expenses	38,855	35,367
Loss on disposal of asset	2,400	-
Management and general:		
Salaries and benefits	85,700	81,000
Professional fees	32,993	27,270
Total expenses and losses	1,199,186	1,150,323
Decrease in net assests without donor restrictions	(916,705)	(906,640)
Change in net assets with donor restrictions:		
Interest and dividend income	82,189	72,719
Net realized gains on investments	128,907	12,119
Net unrealized gains (losses) on investments	(652,543)	432,567
Increase (decrease) in net assets with donor restrictions	(441,447)	517,405
Decrease in total net assets	(1,358,152)	(389,235)
Net assets at beginning of year	40,829,075	41,218,310
Net assets at end of year	$ 39,470,923	$ 40,829,075

Statements of Cash Flows

	For the Years Ended June 30,	
	2022	**2021**
Cash flows from operating activities:		
Change in net assets	$ (1,358,152)	$ (389,235)
Adjustments to reconcole change in net assets to net cash provided by operating activities:		
Depreciation	922,758	922,759
Loss on disposal of assets	2,400	-
Net unrealized losses (gains) on investments	652,543	(432,567)
Net realized gains on investments	(159,115)	(39,888)
Changes in operating assets and liabilities:		
Accounts receivable	(665)	-
Accounts payable	(6,763)	6,094
Net cash provided by operating activities	53,006	67,163
Cash flows from investing activities:		
Purchases of investments	(1,301,703)	(999,101)
Proceeds from sale of investments	1,265,470	884,667
Net cash used in investing activities	(36,233)	(114,434)
Net decrease in cash and cash equvialents	16,773	(47,271)
Cash and cash equivalents at beginning of year	189,519	236,790
Cash and cash equivalents at end of year	$ 206,292	$ 189,519

See accompanying notes to financial statements.

1. Organization and Summary of Significant Accounting Policies

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.

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United State of America (“US GAAP”), which require the Corporation to report information regarding its financial position and activities according to the following net asset classifications, as applicable.

Net Assets

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.

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. The amounts restricted for the Skaggs Catholic Center totaled $3,100,086 and $3,541,533 as of June 30, 2022 and 2021, respectively. The Corporation has no donor-imposed restrictions that resources are to be maintained in perpetuity as of June 30, 2022 and 2021. Donor restricted funds may only be utilized in accordance with the purpose established by the source of such funds.

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 totaled $167,867 and $154,180 on June 30, 2022 and 2021, respectively.

Other Assets

Other assets consist of amounts due from a related party.

Investments

Investments are measured at fair value in the statements of financial position using quoted market prices or quoted market prices of similar, comparable securities. 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, less external and direct investment expenses. 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.

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 estimated 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 vacant properties totaling $6,701,389 as of June 30, 2022 and 2021.

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 lives for buildings and improvements are 10 to 40 years and 5 to 20 years for equipment. Donated assets are recorded at appraised values at the date of donation. The Corporation incurs maintenance costs on its major equipment. Repair and maintenance costs are expensed as incurred.

Rental Income

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

Income Taxes

No provision for income taxes has been provided as the Corporation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), as indicated in a determination letter to the United States Conference of Catholic Bishops from the Internal Revenue Services (IRS) dated September 10, 2021.

US GAAP 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, 2022, there were no uncertain positions taken or expected to the taken that would require recognition of a liability or disclosure in the financial statements.

Property Taxes

The Corporation holds 48 vacant properties that are classified as land as of June 30, 2022 and 2021. 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 $116,480 and $83,927 in property taxes for the years ended June 30, 2022 and 2021, respectively.

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 US GAAP. Actual results could differ from those estimates.

Concentrations of Credit Risk

The Corporation maintains it cash in bank deposit accounts which, at times, exceed federally insured limits or are otherwise not insured. To date, the Corporation has not experienced a loss or lack of access to its cash; however, no assurance can be provided that access to the Corporation's cash will not be impacted by adverse conditions in the financial markets.

Substantially all of the Corporation's support, revenue, and receivables are from related entities and parties. A future reduction of the revenue from these sources, due to market or parish conditions, would have a very significant impact on the Corporation's operations.

COVID-19

The COVID-19 pandemic has caused business disruption through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is still uncertainty due to new variants of COVID-19 that continue to emerge. The related financial impact, if any, cannot be reasonably estimated at this time.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to current year presentation.

2. Buildings and Equipment, Net

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

	Estimated useful lives	2022	2021
Buildings and improvements	10-40 years	$ 41,609,347	$ 41,609,347
Equipment	5-20 years	7,125,038	7,125,038
		48,734,385	48,734,385
Accumulated depreciation		(34,121,298)	(33,198,540)
		$ 14,613,087	$ 15,535,845

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, quotes 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:

Assets	Level 1	Level 2	Total
June 30, 2022:			
Corporate stocks (a)	$ 1,639,510	-	$ 1,639,510
Mutual funds (b)	234,813	-	234,813
Government securities (c)	-	392,702	392,702
Corporate bonds (d)	-	264,530	264,530
Certificates of deposit (e)	-	50,368	50,368
Exchange traded funds (f)	346,319	-	346,319
	$ 2,220,642	$ 707,600	$ 2,928,242

Assets	Level 1	Level 2	Total
June 30, 2021:			
Corporate stocks (a)	$ 1,757,418	-	$ 1,757,418
Mutual funds (b)	298,568	-	298,568
Corporate bonds (d)	-	467,461	467,461
Certificates of deposit (e)	-	51,726	51,726
Exchange traded funds (f)	810,264	-	810,264
	$ 2,866,250	$ 519,187	$ 3,385,437

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 trade on a stock exchange.
c) This category includes investments in government securities.
d) This category includes investments in corporate bonds.
e) This category includes bank deposits (time deposits) that earn a contractual rate of interest over a specified period of time.
f) This category includes investments which derive their value from a basket of securities, such as stocks, bonds, commodities, or indices and are traded similar to individual stocks on an 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 June 2027. Rental income from these leases totaled $8,760 and $14,662 for the years ended June 30, 2022 and 2021, respectively. The minimum rents expected to be received under these non-cancellable operating leases approximate $8,281 annually through June 30, 2027.

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 (June 30) to meet general expenditures:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 206,292	$ 189,519
Investments	2,928,242	3,385,437
	3,134,534	3,574,956
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions	3,100,086	3,541,533
Financial assets available to meet cash needs for general expenditures within one year	$ 34,448	$ 33,423

6. Related Party Transactions

The Corporation received services from an affiliate for personnel and auditing services and payment of property taxes for which the Corporation was not charged cash. Such services amounted to $274,028 and $227,564 for years ended June 30, 2022 and 2021, 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 October 26, 2022, the date the financial statements were available to be issued, and determined there were no items to disclose.