THE ADMINISTRATIVE OFFICE OF THE DIOCESE OF LAS VEGAS

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

(With Report of Independent Certified Public Accountants Thereon)

HRP CPAs
Certified Public Accountants & Consultants

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
The Administrative Office of the Diocese of Las Vegas
Las Vegas, Nevada

We have audited the accompanying financial statements of The Administrative Office of the Diocese of Las Vegas (a non- profit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and change in net assets, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 controls 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 controls. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Administrative Office of the Diocese of Las Vegas as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

HRP CPAs

HRP CPAs
November 2, 2018
Las Vegas, Nevada

THE ADMINISTRATIVE OFFICE OF THE DIOCESE OF LAS VEGAS
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Current assets		
Cash and cash equivalents	$ 30,669,410	$ 26,782,697
Receivables	555,367	658,289
Investments	9,701,551	13,083,678
Prepaid expense	228,798	27,393
Total current assets	41,155,126	40,552,057
Notes and mortgages receivable	7,849,052	8,035,776
Land, buildings and equipment, net	7,966,733	7,584,276
Total assets	$ 56,970,911	$ 56,172,109

LIABILITIES AND NET ASSETS

	2018	2017
Current liabilities		
Accounts payable and accrued expenses	$ 550,135	$ 356,058
Deferred Revenue	2,074,644	-
Total current liabilities	2,624,779	356,058
Pension plan obligation	734,000	1,625,000
Due to related parties	5,961,486	7,144,819
Note payable	792,145	792,145
Total liabilities	10,112,410	9,918,022
Commitments and Contingencies (Note 10)		
Net assets		
Unrestricted	26,284,252	29,919,074
Temporarily restricted	19,852,778	15,613,542
Permanently restricted	721,471	721,471
Total net assets	46,858,501	46,254,087
Total liabilities and net assets	$ 56,970,911	$ 56,172,109

THE ADMINISTRATIVE OFFICE OF THE DIOCESE OF LAS VEGAS
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions, bequests and grants	$ 1,011,941	$ 417,736
Diocesan assessment	3,057,109	2,975,823
Investment income	195,359	231,796
Other income	1,297,205	1,204,054
Total unrestricted revenues and gains	5,561,614	4,829,409
Net assets released from restriction due to satisfaction of program restrictions	6,385,438	10,212,415
Total unrestricted revenues, gains and other support	11,947,052	15,041,824
Expenses and losses:		
Pastoral service programs	561,825	378,389
Clergy formation and support	865,430	1,645,926
Adult/youth education and development	1,285,515	1,287,761
Communication apostolate	218,172	219,712
Health insurance	4,458,151	4,180,199
Property and building	1,682,368	1,699,157
Diocesan offices	4,333,797	2,979,511
Catholic stewardship appeal - rebate and expenses	473,826	575,781
Interest expense	228,347	217,805
Total expenses and losses	14,107,431	13,184,241
Increase(Decrease) in unrestricted net assets	(2,160,379)	1,857,583
Changes in temporarily restricted net assets:		
Contributions	10,393,062	10,143,792
Investment income	231,612	167,132
Net assets released from restrictions due to satisfaction of program restrictions	(6,385,438)	(10,212,415)
Increase in temporarily restricted net assets	4,239,236	98,509
INCREASE IN NET ASSETS	2,078,857	1,956,092
Net assets at beginning of year	46,254,087	43,127,995
Increase in pension liability	620,000	1,170,000
Increase in deferred revenues	(2,094,443)	-
NET ASSETS, end of year	$ 46,858,501	$ 46,254,087

THE ADMINISTRATIVE OFFICE OF THE DIOCESE OF LAS VEGAS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 604,414	$ 3,126,092
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	459,801	425,869
Net gain on investments	(113,067)	(147,137)
Net gain from property dispositions	-	(10,400)
Changes in operating assets and liabilities		
Receivables	102,922	(177,861)
Prepaid expenses	(201,405)	8,499
Pension plan obligation	(891,000)	(714,000)
Accounts payable and accrued expenses	194,077	(2,560)
Deferred revenue	2,074,644	-
Net cash provided by operating activities	2,230,386	2,508,502
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings and equipment	(842,258)	(165,293)
Proceeds from sale of fixed assets	-	10,400
Proceeds from sale of (purchase) of investments	3,495,194	(995,207)
Collections from notes and mortgages receivable	186,724	181,202
Net cash provided by (used in) investing activities	2,839,660	(968,898)
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to related parties	(1,183,333)	(2,188,583)
Net cash used in financing activities	(1,183,333)	(2,188,583)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	3,886,713	(648,979)
CASH AND CASH EQUIVALENTS, beginning of year	26,782,697	27,431,676
CASH AND CASH EQUIVALENTS, end of year	$ 30,669,410	$ 26,782,697
SUPPLEMENTAL CASH FLOW DATA:		
Cash paid during the year for interest	$ 228,347	$ 217,805

See Accompanying Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation – The accompanying financial statements include the assets, liabilities and operations of departments under the administration of The Administrative Office of the Diocese of Las Vegas ("Diocese"). Except for transactions with the Diocese, assets, liabilities and operations of the parishes, missions, convents, schools and charity operations of the Diocese of Las Vegas have not been included in the accompanying financial statements.

The financial statements of the Diocese have been prepared in accordance with generally accepted accounting principles and "Accounting Principles and Reporting Practices for Churches and Church-related Dioceses", adopted by The National Conference of Catholic Bishops, The Leadership Conference of Women Religious and The Conference of Major Superiors of Men.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. Donations received and spent in the same reporting period are also included in this classification.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Diocese or passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Diocese. Generally, the donors of these assets would permit the Diocese to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents – The Diocese considers all money market accounts and highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents.

Receivables – Accounts receivable represent receivables from various parishes that are affiliated with the Diocese.

Investments – Marketable equity securities and other investments are stated at their fair value, which is determined by quoted market prices. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on these investments, is included in investment income (loss) in the statements of activities.

Fair Value of Financial Instruments – The Diocese's financial instruments include certificates of deposit, government securities, receivables, notes and mortgages receivable, accounts payable, accrued expenses, and deposits payable. The fair value hierarchy under U.S. GAAP distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels:

Level one – Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level two – Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Level three – Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use. The Diocese has determined the estimated fair values of its financial instruments using available market information and commonly accepted valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the Diocese's estimates are not necessarily indicative of the amounts that it, or holders of the instruments, could realize in a current market exchange. The use of different assumptions or valuation methodologies could have a material effect on the estimated fair value amounts. The fair value estimates are based on information available as of June 30, 2018. These amounts have not been revalued since those dates, and current estimates of fair value could differ significantly from the amounts presented.

The carrying value of certificates of deposit, government securities, receivables, notes and mortgages receivable, accounts payable, accrued expenses, and deposits payable approximate their respective fair values.

Depreciation – Property acquired is presented at cost, if purchased, or fair market value at date of donation, if acquired by gift or bequest. Depreciation of assets is computed on a straight-line basis over the estimated useful life of the asset. Expenses for maintenance and repairs are charged to operations when incurred.

Notes and Mortgages Receivable – Notes and mortgages receivable are carried at cost. The funds required for the purchase of a new parish land site is provided by the Diocese through a twenty-year note receivable. The parish land is held by the Diocese as a future parish site until the start of construction, at which time it is transferred at cost to the parish for a note receivable. Interest income is recognized when earned per the terms of the agreement.

Deferred Revenue – Contributions received that are to be used in future years. Funds are held as a current liability in the year they are received. In the current year the Diocese elected to treat certain funds previously recorded as temporarily restricted as deferred revenues.

Contributions – The Diocese recognizes all contributed support received as income in the period received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Functional Allocation of Expenditures – The costs of providing the various programs and other activities of the Diocese have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status – The Diocese is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation by the Internal Revenue Service. Accordingly, no income tax is reflected in the accompanying financial statements.

Concentrations of Credit Risk – Financial instruments, which potentially subject the Diocese to significant concentration of credit risk, consist primarily of cash and cash equivalents, money market funds, and notes receivable. The Diocese maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Diocese maintains a significant portion of money market funds with a single trustee. The Diocese does not require collateral for notes receivable. The Diocese has not experienced any losses in such accounts. The Diocese believes it is not exposed to any significant credit risk on cash and cash equivalents, money market funds and notes receivable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Revenue and expense recognition- Revenue is recognized in the period that it is earned. Expenses are recognized during the period in which they are incurred. All contributions are considered available for the Organization’s general programs unless specifically restricted by the donor or other stipulations. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

2. CASH AND CASH EQUIVALENTS, INVESTMENTS AND INVESTMENT INCOME

Balances as of and for the years ended June 30:

	2018	2017
Cash and cash equivalents:		
Cash	$ 2,387,612	$ 1,593,352
Cash equivalents	28,281,798	25,189,345
	$ 30,669,410	$ 26,782,697
Investments:		
Government securities	$ 7,488,118	$ 11,023,623
Stocks, bonds and other investments	2,031,741	2,060,055
	$ 9,701,551	$ 13,083,678
Investment income:		
Interest and dividend income	$ 313,904	$ 251,791
Realized gains	126,059	103,104
Unrealized gains (losses)	(12,992)	44,033
Net investment income	$ 426,971	$ 398,928

3. LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment under the direct control of the Diocese consist of the following as of June 30:

	2018	2017
Land	$ 2,919,893	$ 2,919,893
Buildings and improvements	6,731,001	6,072,705
Furnishings and equipment	1,967,079	1,812,573
Other property	54,109	54,109
	11,672,082	10,859,280
Future parish sites and other property	22,152	22,152
	11,694,234	10,881,432
Less accumulated depreciation	(3,727,501)	(3,297,156)
	$ 7,966,733	$ 7,584,276

4. DEFERRED REVENUE

The deferred revenue balance consists of funds received from the Catholic Stewardship Appeal for various ministry purposes to be used at the discretion of the Diocese. The fundraising year for the Catholic Stewardship Appeal runs from February to January of the subsequent year. The diocese designates funds received prior to June 30th of the fiscal year as deferred revenue. In prior years Diocese has elected to record these funds as temporarily restricted. The deferred revenue balance related to the Catholic Stewardship Appeal was $2,074,644 in 2018 and $1,863,228 in 2017. The 2017 balance was held in temporarily restricted net assets.

5. PENSION PLAN

The Catholic Center sponsors various defined benefit pension plans for most full-time employees and all priests in good standing who are incardinated in the Diocese.

Although these plans are exempt from the funding requirements of ERISA, it has been the policy of the Diocese to make contributions annually that are not less than the pre-ERISA minimum contribution requirement.

The Diocese uses a June 30 measurement date for the defined benefit pension plans. The amounts disclosed in this footnote for the lay employees' pension plan reflect the Diocesan allocated share of the overall plan liability. The Diocesan allocated share for the years ended June 30, 2018 and 2017 were 6.80% and 6.83%, respectively.

The funded status of the Diocesan Pension Plans and the net amount recognized in the Diocesan statement of financial position at June 30, 2018 and 2017 are as follows:

	2018	2017
Projected/accumulated benefit obligation	$ (7,708,000)	$ (8,162,000)
Plan assets at fair value	6,974,000	6,537,000
Funded status of the Plan – underfunded	$ (734,000)	$ (1,625,000)
Net amount recognized	$ (734,000)	$ (1,625,000)

5. PENSION PLAN (continued)

Under FASB Codification 715-30 Defined Benefit Plans - Pension, the funded status is recognized in the statement of financial position. Unrecognized prior service costs and unrecognized actuarial losses are recognized in unrestricted net assets.

Amounts recognized in the statement of financial position consist of:

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Noncurrent assets	$ 480,000	$ 388,000
Current liabilities	-	-
Noncurrent liabilities	(1,214,000)	(2,013,000)
	$ (734,000)	$ (1,625,000)

Amounts recognized in unrestricted net assets consist of:

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Net loss	$ 892,000	$ 1,448,000
Net transition obligation (asset)	-	-
Prior service cost	272,000	336,000
	$ 1,164,000	$ 1,784,000

The Catholic Center's Pension Plans net pension expenses, pension benefits paid, and employer contributions for the years ended June 30, 2018 and 2017 are as follows:

	June 30, 2018	June 30, 2017
Net pension expense	$ 334,000	$ 591,000
Pension benefits paid	$ 422,000	$ 410,000
Employer contributions	$ 605,000	$ 135,000

5. PENSION PLAN (continued)

Other changes in plan assets and benefit obligations recognized in unrestricted net assets:

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Net gain	$ (476,000)	$ (1,010,000)
Prior service cost	-	196,000
Amortization of gain	(80,000)	(297,000)
Amortization of prior service credit	(64,000)	(59,000)
Amortization of transition obligation	-	-
Total recognized in unrestricted net assets	$ (620,000)	$ (1,170,000)
Total recognized in net periodic benefit cost and unrestricted net assets	$ (286,000)	$ (579,000)

Assumptions used to determine net pension expense

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Discount Rate	3.58%	3.24%
Expected Long-Term Rate of Return on Assets	5.59%	5.93%
Salary Scale	5.00%	5.00%

Assumptions used to determine benefit obligation at year-end

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Discount Rate	4.04%	3.58%
Salary Scale	5.00%	5.00%

Expected Long-Term Asset Return Assumption

The Diocese employs a methodical process to determine the estimates of expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset-class returns and advice from external actuarial consulting firms while incorporating specific asset-class risk factors.

Plan Asset Investment Strategy and Allocation

The asset allocation for the pension plans as of June 30, 2018 and 2017 and the target allocation, by asset category are:

5. PENSION PLAN (continued)

Lay Employees Pension Plan

(i) Asset Category	(ii) Diocesan Approved Asset Allocation Range	(iii) Policy Benchmark Asset Allocation	(iv) Actual Percentage of Plan Assets at June 30 2018	2017
Equities	30-70%	60%	64%	64%
Fixed Income	28-68%	30%	34%	34%
Cash	0-20%	10%	2%	2%

Priest Basic Pension Plan

(i) Asset Category	(ii) Diocesan Approved Asset Allocation Range	(iii) Policy Benchmark Asset Allocation	(iv) Actual Percentage of Plan Assets at June 30 2018	2017
Equities	30-70%	60%	65%	65%
Fixed Income	28-68%	30%	33%	33%
Cash	0-20%	10%	2%	2%

Investment policy in Writing

The Diocese has adopted an official Statement of Investment Policy for this plan. Pension plan assets are invested by an independent professional investment manager, with the objective of achieving long-term growth in assets with reasonable risk as compared to established benchmarks. The investment policy requires high quality investments and adequate diversification. Prohibited investments include options, short sale contracts and derivatives. The Diocese regularly monitors the investment manager's performance relative to short-term and long-term objectives as set forth in the official policy. A compliance audit of the managers' adherence to policy guidelines is conducted as a component of each performance evaluation. The Statement of Investment Policy includes consideration for social responsibility and Roman Catholic social teaching.

Plan assets for the supplemental plan are insufficient to necessitate an independent investment policy. Assets are currently held in fixed income mutual funds and cash equivalents to meet near term benefit payments.

Contributions

The Diocese expects to contribute approximately $252,000 to the pension plans for the fiscal year ending June 30, 2018.

5. PENSION PLAN (continued)

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Fiscal Year Ending June 30	Annual Pension Benefits
2019	$ 583,000
2020	589,000
2021	607,000
2022	602,000
2023	579,000
2024-2028	$ 2,765,000

6. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable consist of the following at June 30:

	2018	2017
Parish 20 year notes secured by land with no interest for first 10 years, and prime plus 1% thereafter, with maturities ranging from November 2022 to April 2036	$ 7,849,052	$ 8,035,776

7. DUE TO RELATED PARTIES

Balances due to the Catholic Diocese of Las Vegas Capital Funding Corporation ("CDLV CFC") consist of the following at June 30:

	2018	2017
Diocesan payable due in monthly installments of $90,278 including interest at 4.121% and 3.102%, respectively, through December 2023	$ 5,488,654	$ 6,571,987

Balances due to the Catholic Diocese of Las Vegas Capital Management Corporation ("CDLV CMC") consist of the following at June 30:

2018	2017
$ 472,832	$ 572,832

During November 2011, a term loan payable was refinanced with Bank of America, N.A. whereby the Diocese, CDLV CFC and CDLV CMC are co-borrowers. CDLV CFC has recognized this obligation as the primary borrower on the refinancing therefore the balance totaling $5,958,333 as of June 30, 2018 has not been recognized on these financial statements.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were held for the following purposes as of June 30:

	2018	2017
Clergy formation and support	$ 4,086,989	$ 3,818,620
Pastoral service programs	2,732,123	2,942,969
Adult/youth education and development	1,403,816	1,418,353
Property and building	4,790,964	3,487,235
Health insurance	6,057,782	1,305,162
Diocesan offices	777,975	777,795
Catholic stewardship appeal	3,129	1,863,228
	$ 19,852,778	$ 15,613,542

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets were held for the following purposes as of June 30:

	2018	2017
Seminarian education fund	$ 692,066	$ 692,066
Laliberte seminarian fund	29,405	29,405
	$ 721,471	$ 721,471

Unexpended investment income earned on these assets is $1,540,682 and $1,406,491 as of June 30, 2018 and 2017, respectively, and is included in clergy formation and support in temporarily restricted net assets. As of June 30, 2018 and 2017, unexpended investment income earned includes $178,867 and $215,011 respectively, of unrealized investment appreciation.

10. LEGAL PROCEEDINGS

The Diocese is party to various general legal proceedings which have arisen in the ordinary course of operation. While the results of these matters cannot be predicted with certainty, the Diocesan management believes that losses, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the Diocesan financial position, results of operations or cash flows. However, unfavorable resolution could affect the financial position, results of operations or cash flows for the years in which they are resolved.

11. COMMITMENTS AND CONTINGENCIES

A non-profit organization, the Bishop Gorman Development Corporation ("Development Corporation") affiliated with the Diocese, constructed a new campus (the "Campus Project") for Bishop Gorman High School. The Development Corporation secured a bond for approximately $25 million relating to the financing of the Campus Project. Additionally, the Development Corporation secured a bridge loan totaling $12.5 million for the construction of facilities to the campus. The Diocese is financially responsible for the bond and the bridge loans incurred by the Development Corporation as a guarantor. As of June 30, 2018, the Development Corporation has satisfied the outstanding balance of the bridge loan. The Development Corporation, the Diocese and Bank of America entered into a forbearance agreement on January 11, 2017. On April 17, 2017, the Development Corporation filed a Chapter 11 Bankruptcy petition in United States Bankruptcy Court (District of Nevada). On September 11, 2018 a settlement agreement was reached in which Development Corporation owes approximately $33 million to J.A. Tiberti Construction Co. ("JATCO"). See Note 12 for discussion of the specific requirements of the settlement.

12. NOTE PAYABLE

As of June 30, 2018 and 2017, note payable consists of a balance owed to a third party religious institution totaling $792,145 for costs incurred in development of land. The balance is secured by land and payable upon the sale of the land. The balance bears no interest and has no periodic principal payments. The balance of this note payable was paid in full as of September 7, 2018.

13. SUBSEQUENT EVENTS

The Diocese has evaluated subsequent events through November 2, 2018, the date the financial statements were available to be issued. On September 11, 2018 a Settlement and Restructuring Agreement ("settlement") was reached regarding the Bishop Gorman Development Corporation's bankruptcy proceedings. As a result of the settlement the Development Corporation owes $33 million to JATCO to be paid off with $8.6 million cash and 55 acres of real property with a book value of $2.5 million and a fair market value of $18.4 million as agreed upon by the Diocese and JATCO. The company made the payment of $8.6 million as of September 12, 2018. The company has until August 7, 2019 to have the 55 acres of land rezoned from Clark County designation R-E to R-1 per the terms of the agreement. If the company is unable to rezone the land it will be required to make an additional cash payment of $2.4 million dollars at the time of transfer.

As of October 31, 2018 the Service Campaign Corporation, a related party of the Diocese has been dissolved and all real property held by the Service Campaign Corp. has been transferred to Etelcarap, LLC. Etelcarap, LLC is a non-profit company organized in October of 2018 exclusively for religious, charitable and educational purposes for the benefit of the Roman Catholic Bishop of Las Vegas and His Successors, a Corporation Sole.

As of October 31, 2018 the Diocese had renegotiated the terms of the note receivable agreement in place with Bank of America. The land currently held as collateral as specified by the terms of the agreement will be transferred to the Bishop Gorman Development Corporation. The agreement has been amended to incorporate the new land as acquired as part of the transactions with the Service Campaign Corporation. Ten acres of land located in the southwest area of the Las Vegas Valley were acquired by the Diocese as part of the transaction and is now held as collateral as per the terms of the amended agreement with Bank of America.