



**CATHOLIC DIOCESE OF SALT LAKE CITY
CAPITAL DEVELOPMENT CORPORATION**

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Most Reverend John Charles Wester:

We have audited the accompanying statements of financial position of the Catholic Diocese of Salt Lake City Capital Development Corporation (Diocesan Capital Corp) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Diocesan Capital Corp's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Diocesan Capital Corp's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 Capital Development Corporation as of June 30, 2011 and 2010, and the results of its activities and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

September 22, 2011

**CATHOLIC DIOCESE OF SALT LAKE CITY
CAPITAL DEVELOPMENT CORPORATION**

Statements of Financial Position

June 30, 2011 and 2010

	Assets	2011	2010
Cash and cash equivalents	\$	221,446	999,521
Notes receivable		17,308,532	15,503,235
Interest receivable		27,098	17,135
Investments		320,954	591,324
Total assets	\$	<u>17,878,030</u>	<u>17,111,215</u>
Liabilities and Net Assets			
Liabilities:			
Parish and related Catholic entities deposits	\$	14,440,361	13,198,053
Line of credit		2,400,000	3,000,000
Accrued interest		7,972	7,181
Total liabilities		<u>16,848,333</u>	<u>16,205,234</u>
Net assets		<u>1,029,697</u>	<u>905,981</u>
Total liabilities and net assets	\$	<u>17,878,030</u>	<u>17,111,215</u>

See accompanying notes to financial statements.

**CATHOLIC DIOCESE OF SALT LAKE CITY
CAPITAL DEVELOPMENT CORPORATION**

Statements of Activities

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Changes in net assets:		
Revenues and gains:		
Interest and dividend income on investments	\$ 7,366	73,058
Net realized gains on investments	2,854	71,490
Net unrealized gains on investments	32,116	141,705
Interest income	602,873	410,469
Total revenues and gains	<u>645,209</u>	<u>696,722</u>
Expenses and losses:		
General and administrative	11,400	39,551
Amortization of bond premium	22,693	22,414
Interest expense	287,400	88,223
Transfers to the Roman Catholic Bishop of Salt Lake City	200,000	—
Total expenses and losses	<u>521,493</u>	<u>150,188</u>
Increase in net assets	123,716	546,534
Net assets at beginning of year	<u>905,981</u>	<u>359,447</u>
Net assets at end of year	<u>\$ 1,029,697</u>	<u>905,981</u>

See accompanying notes to financial statements.

**CATHOLIC DIOCESE OF SALT LAKE CITY
CAPITAL DEVELOPMENT CORPORATION**

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Increase in net assets	\$ 123,716	546,534
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Amortization of bond premiums	22,693	22,414
Net unrealized gain on investments	(32,116)	(141,705)
Net realized gain on investments	(2,854)	(71,490)
Changes in operating assets and liabilities:		
Notes receivable	(1,805,297)	(5,710,151)
Interest receivable	(9,963)	9,538
Parish and other related Catholic entities deposits	1,242,308	(1,681,138)
Accrued interest	791	7,181
Net cash used in operating activities	(460,722)	(7,018,817)
Cash flows from investing activities:		
Purchase of investments	—	(439,805)
Proceeds from sale of investments	282,647	2,945,834
Net cash provided by investing activities	282,647	2,506,029
Cash flows from financing activity:		
Net (payments on) proceeds from line of credit	(600,000)	3,000,000
Net cash (used in) provided by financing activity	(600,000)	3,000,000
Net decrease in cash and cash equivalents	(778,075)	(1,512,788)
Cash and cash equivalents at beginning of year	999,521	2,512,309
Cash and cash equivalents at end of year	\$ 221,446	999,521

See accompanying notes to financial statements.

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

June 30, 2011 and 2010

(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 Capital Development Corporation (Diocesan Capital Corp). The Diocesan Capital Corp acts as a support organization 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, LLC, a Utah Nonprofit Limited Liability Company.

The Diocesan Capital Corp holds excess funds of the Diocese's parishes and institutions and lends to parishes and institutions for projects approved by the Diocesan Capital Corp board.

(b) Cash Equivalents

Cash equivalents consist of investments in money market funds with maturity dates of three months or less at the date of purchase. Cash equivalents totaled \$11,368 and \$5,068 at June 30, 2011 and 2010, respectively.

(c) Notes Receivable

Cash payments are made by parishes and other related Catholic entities as excess cash is available. The interest rate charged on loans is set by the Diocesan Capital Corp, but may not exceed 0.25% above the prime rate (calculated at the beginning of each quarter). In the event funds are not available from the related entity to repay a loan, it is the Diocesan Capital Corp's intention to extend the payment terms or defer such payments until funds become available.

(d) Investments

Investments in equity securities and debt securities are measured at fair market value in the statements of financial position using quoted market prices. Unrealized gains and losses on investments are reported in the statements of activities as increases or decreases in net assets.

(e) Income Taxes

No provision for income taxes has been provided as the Diocesan Capital Corp is exempt from federal income tax under provisions of 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 dated July 22, 2010.

GAAP requires management to evaluate tax positions taken by the Corporation and recognize a tax liability (or asset) 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, 2011, there were no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) 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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Notes to Financial Statements

June 30, 2011 and 2010

(f) 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.

(g) Parish and Related Catholic Entities Deposits

All parishes and institutions must deposit excess funds in the Diocesan Capital Corp. Funds are to be deposited at regular intervals. The interest rate for deposits is calculated at 2% below the interest rate used for loans. Deposit withdrawals are submitted to, and approved by, the Office of the Vicar General. Checks are processed and mailed by the Diocesan Finance Office to the respective entity.

(2) Liquidity

During the period of July 1, 2009 to June 30, 2011, the Diocesan Capital Corp continued to disburse cash for loans while deposits and repayment of existing loans slowed. Management has obtained assurances from the Diocesan Pastoral Administration of the Roman Catholic Bishop of Salt Lake City and the Catholic Diocese of Salt Lake City Real Estate Corporation that they will provide capital sufficient to provide for future commitments (note 5). In the opinion of management, the continued financial support from the aforementioned entities will permit the Diocesan Capital Corp to meet its obligations, at least through the next fiscal year; however, the Diocesan Capital Corp is subject to many uncertainties over which management has limited control, any one of which could adversely affect the Diocesan Capital Corp's operating cash flows.

(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.
- 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.

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The following table summarizes the levels within the fair value hierarchy in which the fair value measurements of the Diocesan Capital Corp's investments are classified as of June 30, 2011:

	Level 1	Level 2	Total
June 30, 2011:			
Domestic corporate bonds	\$ —	320,954	320,954
Total	\$ —	320,954	320,954

The following table summarizes the levels within the fair value hierarchy in which the fair value measurements of the Diocesan Capital Corp's investments are classified as of June 30, 2010:

	Level 1	Level 2	Total
June 30, 2010:			
Certificates of deposit	\$ 125,252	—	125,252
Domestic corporate bonds	—	307,674	307,674
Asset-backed securities	—	52,114	52,114
Government bonds	—	106,284	106,284
Total	\$ 125,252	466,072	591,324

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.

The Diocesan Capital Corp may invest in securities with contractual cash flows, which may include asset-backed securities, collateralized mortgage obligations, and commercial mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

The Diocesan Capital Corp holds investments classified as Level 2 within the fair value hierarchy. There were no transfers between Level 1 and Level 2 investments during the year.

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June 30, 2011 and 2010

(4) Line of Credit

The Diocesan Capital Corp acquired one unsecured line of credit with a commercial bank of \$5,000,000 with borrowings accruing interest at the prime rate but not less than 5%. The interest rate at June 30, 2011 is 5%. The maturity date of this line of credit is January 5, 2012. No commitment fees or compensating balance arrangements are required under the terms of the credit arrangement that has been used to fund parish construction. The line is guaranteed by assets of the Diocesan Pastoral Administration of the Roman Catholic Bishop of Salt Lake City and the unrestricted assets of the Catholic Diocese of Salt Lake City Real Estate Corporation, both affiliated entities. As of June 30, 2011 and 2010, the Diocesan Capital Corp had drawn \$2,400,000 and \$3,000,000, respectively, on this line of credit.

(5) Commitments

The Diocesan Capital Corp has made cash commitments to several parishes and schools, which are also affiliated entities, which would become notes receivable, for future period construction projects and other obligations. The amount committed is \$3,600,000 as of June 30, 2011.

(6) Subsequent Events

The Diocesan Capital Corp has evaluated subsequent events through September 22, 2011, the date the financial statements were available to be issued.