



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

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

**CATHOLIC DIOCESE OF SALT LAKE CITY
CAPITAL DEVELOPMENT 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 Capital Development Corporation (Diocesan Capital Corp), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 Capital Development Corporation as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Salt Lake City, Utah
October 2, 2020

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

Statements of Financial Position

June 30, 2020 and 2019

Assets	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,774,780	933,889
Notes receivable	7,619,368	8,558,126
Interest receivable	107,150	104,868
Investments	<u>11,659,221</u>	<u>10,669,018</u>
Total assets	<u>\$ 21,160,519</u>	<u>20,265,901</u>
Liabilities and Net Assets		
Liabilities:		
Parish and related Catholic entities deposits	\$ <u>20,532,720</u>	<u>19,103,495</u>
Total liabilities	20,532,720	19,103,495
Net assets without donor restrictions	<u>627,799</u>	<u>1,162,406</u>
Total liabilities and net assets	<u>\$ 21,160,519</u>	<u>20,265,901</u>

See accompanying notes to financial statements.

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

Statements of Activities

Years ended June 30, 2020 and 2019

	2020	2019
Changes in net assets:		
Revenues and gains:		
Interest and dividend income on investments	\$ 388,490	292,219
Net realized (losses) gains on investments	(116,640)	17,284
Net unrealized (losses) gains on investments	(452,141)	154,209
Interest income	389,058	511,230
Total revenues and gains	208,767	974,942
Expenses and transfers:		
Deposits for parishes and institutions:		
Interest expense	372,374	466,957
Management and general:		
General and administrative	21,000	21,600
Total expenses	393,374	488,557
Transfers to the Diocesan Pastoral Administration	350,000	350,000
Total expenses and transfers	743,374	838,557
(Decrease) increase in net assets	(534,607)	136,385
Net assets at beginning of year	1,162,406	1,026,021
Net assets at end of year	\$ 627,799	1,162,406

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (534,607)	136,385
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized losses (gains) on investments	116,640	(17,284)
Net unrealized losses (gains) on investments	452,141	(154,209)
Changes in operating assets and liabilities:		
Notes receivable	938,758	2,156,918
Interest receivable	(2,282)	(9,871)
Parish and related Catholic entities deposits	1,429,225	1,208,315
Net cash provided by operating activities	2,399,875	3,320,254
Cash flows from investing activities:		
Purchase of investments	(12,787,792)	(6,560,986)
Proceeds from sale of investments	11,228,808	3,374,204
Net cash used in investing activities	(1,558,984)	(3,186,782)
Net increase in cash and cash equivalents	840,891	133,472
Cash and cash equivalents at beginning of year	933,889	800,417
Cash and cash equivalents at end of year	\$ 1,774,780	933,889

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2020 and 2019

(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 (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, LLC, a Utah Nonprofit Limited Liability Company. The functional and natural classification of expenses of the Diocesan Capital Corp have been presented in the statements of activities.

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) Net Assets

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

(c) Cash Equivalents

Cash equivalents consist of investments in money market funds with original maturity dates to the Diocesan Capital Corp of three months or less at the date of purchase. Cash equivalents totaled \$974,099 and \$165,403 at June 30, 2020 and 2019, respectively. The cash equivalents are Level 1 securities as described in the fair value hierarchy at note 2 *Fair Value Measurements*.

(d) Notes Receivable

Notes receivable relate to financing arrangements with parishes and other related Catholic entities and are recorded at face value. The Diocesan Capital Corp does not require collateral for the notes and has not and does not intend to sell these receivables. The interest rate charged on notes is set by the Diocesan Capital Corp, but may not exceed 0.25% above the prime rate (calculated at the beginning of each quarter) and is recognized over the life of the note. Cash payments are made by parishes and other related Catholic entities as excess cash is available. In the event funds are not available from the related entity to repay a note, it is the Diocesan Capital Corp's intention to extend the payment terms or defer such payments until funds become available, while interest continues to accrue on the original note amount.

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

June 30, 2020 and 2019

(e) Investments

Investments in 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. 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.

(f) 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 3.00% below the interest rate used for notes. Deposit withdrawals are submitted to, and approved by, the Office of the Vicar General.

(g) Income Taxes

No provision for income taxes has been provided as the Diocesan Capital Corp 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 August 21, 2019.

U.S. generally accepted accounting principles requires management to evaluate tax positions taken by the Diocesan Capital Corp and recognize a tax liability if the Diocesan Capital Corp 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 Diocesan Capital Corp, and has concluded that as of June 30, 2020, 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 Diocesan Capital Corp is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress.

(h) Use of Estimates

The Diocesan Capital Corp 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.

(i) COVID-19

During March 2020, the World Health Organization declared the rapidly growing coronavirus outbreak to be a global pandemic. The COVID-19 pandemic has significantly impacted health and economic conditions throughout the United States. The COVID-19 pandemic could have a material impact on the Diocesan Capital Corp's net assets if the restrictions remain in place for an extended period.

**CATHOLIC DIOCESE OF SALT LAKE CITY
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(2) 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 Diocesan Capital Corp 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 Diocesan Capital Corp’s investments are classified as of June 30, 2020 and 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
June 30, 2020:			
Domestic corporate bonds (a)	\$ —	5,582,120	5,582,120
Government securities (b)	—	883,234	883,234
Certificates of deposit (c)	—	1,016,711	1,016,711
International bonds (d)	—	102,817	102,817
Unit investment trust securities (e)	1,471,381	—	1,471,381
Common stocks (f)	213,100	—	213,100
Preferred equity securities (g)	239,070	—	239,070
Exchange traded funds (h)	2,150,788	—	2,150,788
	<u>\$ 4,074,339</u>	<u>7,584,882</u>	<u>11,659,221</u>

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	Level 1	Level 2	Total
June 30, 2019:			
Domestic corporate bonds (a)	\$ —	5,789,890	5,789,890
Government securities (b)	—	596,253	596,253
Certificates of deposit (c)	—	1,052,321	1,052,321
International bonds (d)	—	204,267	204,267
Unit investment trust securities (e)	2,511,471	—	2,511,471
Preferred equity securities (g)	125,360	—	125,360
Common stocks (f)	389,456	—	389,456
Totals	\$ 3,026,287	7,642,731	10,669,018

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

- (a) This category includes investments in corporate bonds obtained on domestic exchanges.
- (b) This category includes investments in other government securities.
- (c) This category includes bank deposits (time deposits) that earn a contractual rate of interest over a specified period of time.
- (d) This category includes investments in bonds obtained on foreign exchanges.
- (e) This category includes a pooled investment vehicle of stocks, bonds, or other securities deposited into a trust.
- (f) This category includes investments in domestic corporate stock.
- (g) This category includes securities with characteristics of both stocks and bonds and may offer investors higher yields than common stock or corporate bonds.
- (h) 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.

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.

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(3) Liquidity and Availability

The Diocesan Capital Corp regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations as they become due. The Diocesan Capital Corp is substantially supported by parishes and institutions. The financial assets recorded by the Diocesan Capital Corp are available to support its operating needs.

In addition to financial assets available to meet general expenditures over the next twelve months, the Diocesan Capital Corp anticipates collecting sufficient interest income from investments and notes receivable to cover general expenditures. As part of its liquidity plan, excess cash is invested in money market accounts and short-term investments.

The following assets could readily be made available within one year of the date of the statement of financial position to meet general expenditures:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 1,774,780	933,889
Interest receivable	107,150	104,868
Investments	11,659,221	10,669,018
	13,541,151	11,707,775
Less those unavailable for general expenditures within one year	—	—
Financial assets available to meet cash needs for general expenditures within one year	\$ 13,541,151	11,707,775

(4) Commitments

As of June 30, 2020, the Diocesan Capital Corp has no outstanding cash commitments for construction and remodel projects.

(5) Subsequent Events

The Diocesan Capital Corp has evaluated subsequent events through October 2, 2020, the date the financial statements were available to be issued, and determined there were no items to disclose.