CATHOLIC DIOCESE OF SALT LAKE CITY
CAPITAL DEVELOPMENT 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 Capital Development Corporation (Diocesan Capital Corp), 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 the Catholic Diocese of Salt Lake City Capital Development 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
CAPITAL DEVELOPMENT CORPORATION

Statements of Financial Position

June 30, 2016 and 2015

Assets		2016	2015
Cash and cash equivalents	$	913,623	1,456,739
Notes receivable		12,437,718	13,712,787
Interest receivable		61,274	43,709
Investments		6,395,873	4,370,586
Total assets	$	19,808,488	19,583,821
Liabilities and Net Assets			
Liabilities:			
Parish and related Catholic entities deposits	$	19,034,911	18,671,203
Total liabilities		19,034,911	18,671,203
Net assets		773,577	912,618
Total liabilities and net assets	$	19,808,488	19,583,821

See accompanying notes to financial statements.

CATHOLIC DIOCESE OF SALT LAKE CITY
CAPITAL DEVELOPMENT CORPORATION

Statements of Activities

Years ended June 30, 2016 and 2015

		2016	2015
Changes in net assets:			
Revenues and gains:			
Interest and dividend income on investments	$	207,429	154,900
Net realized (losses) gains on investments		(66,403)	52,940
Net unrealized losses on investments		(106,761)	(233,232)
Interest income		472,276	509,365
Total revenues and gains		506,541	483,973
Expenses and losses:			
General and administrative		16,282	14,108
Interest expense		279,300	275,563
Transfers to the Diocesan Pastoral Administration		350,000	350,000
Total expenses and losses		645,582	639,671
Decrease in net assets		(139,041)	(155,698)
Net assets at beginning of year		912,618	1,068,316
Net assets at end of year	$	773,577	912,618

See accompanying notes to financial statements.

CATHOLIC DIOCESE OF SALT LAKE CITY
CAPITAL DEVELOPMENT CORPORATION

Statements of Cash Flows

Years ended June 30, 2016 and 2015

		2016	2015
Cash flows from operating activities:			
Decrease in net assets	$	(139,041)	(155,698)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:			
Net realized loss (gain) on investments		66,403	(52,940)
Net unrealized loss on investments		106,761	233,232
Changes in operating assets and liabilities:			
Notes receivable		1,275,069	1,631,354
Interest receivable		(17,565)	(15,096)
Parish and related Catholic entities deposits		363,708	1,092,381
Net cash provided by operating activities		1,655,335	2,733,233
Cash flows from investing activities:			
Purchase of investments		(3,139,068)	(3,788,033)
Proceeds from sale of investments		940,617	1,654,666
Net cash used in investing activities		(2,198,451)	(2,133,367)
Net (decrease) increase in cash and cash equivalents		(543,116)	599,866
Cash at beginning of year		1,456,739	856,873
Cash at end of year	$	913,623	1,456,739

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 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 original maturity dates to the Diocesan Capital Corp of three months or less at the date of purchase. Cash equivalents consist of money market funds and totaled $282,050 and $735,451 at June 30, 2016 and 2015, respectively. The cash equivalents are Level 1 securities as described in the fair value hierarchy at Note 2 Fair Value Measurements.

(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 securities are measured at fair market value in the statements of financial position using quoted market prices. Certificate of deposits earn a contractual rate of interest over a specific period of time and are stated at fair value in the accompanying statements of financial position. Bank deposits are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. 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.

(e) 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 2.25% 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.

(Continued)

(f) 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 May 29, 2015.

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, 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 Diocesan Capital Corp is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress. Management believes the Diocesan Capital Corp is no longer subject to income tax evaluations for years prior to 2012.

(g) 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.

(h) 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 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 Diocesan Capital Corp has not adopted ASU 2016-14 in the current year. Management is currently evaluating the future impact of the ASU on the Diocesan Capital Corp's financial statements.

(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.
- 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, 2016 and 2015:

		Level 1	Level 2	Total
June 30, 2016:				
Domestic corporate bonds (a)	$	—	3,976,577	3,976,577
Government securities (b)		—	100,087	100,087
Certificates of deposit (c)		—	277,589	277,589
International bonds (d)		—	149,547	149,547
Unit investment trusts security (e)		1,731,663	—	1,731,663
Preferred equity securities (f)		143,780	—	143,780
Common stocks (f)		16,630	—	16,630
Total	$	1,892,073	4,503,800	6,395,873

		Level 1	Level 2	Total
June 30, 2015:				
Domestic corporate bonds (a)	$	—	2,212,850	2,212,850
Certificates of deposit (c)		—	375,478	375,478
International bonds (d)		—	110,237	110,237
Unit investment trust security (e)		1,624,551	—	1,624,551
Preferred equity securities (f)		25,500	—	25,500
Common stocks (f)		21,970	—	21,970
Total	$	1,672,021	2,698,565	4,370,586

The table above includes an immaterial revision to reclassify the investment in the unit investment trust security to a level 1 investment in the fair value hierarchy, previously classified as a level 2 investment. We evaluated this change in accordance with applicable accounting guidance and determined the revision was not material to the prior period.

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 U.S. Treasury notes and 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.

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.

(3) Commitments

As of June 30, 2016, the Diocesan Capital Corp had on outstanding cash commitment of $1,100,000 to an affiliated parish and school, which will become a note receivable in September 2016, for a future period construction project.

(4) Subsequent Events

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