DIOCESE OF PENSACOLA – TALLAHASSEE
ADMINISTRATIVE OFFICES

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2020 AND 2019

Warren Averett
CPAs AND ADVISORS

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ADMINISTRATIVE OFFICES
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Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

To The Most Reverend William A. Wack, CSC
Bishop of the Diocese of Pensacola – Tallahassee

We have audited the accompanying financial statements of the Diocese of Pensacola –Tallahassee Administrative Offices (the "Diocese"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and 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 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 audit. We conducted our audit 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 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 Diocese of Pensacola – Tallahassee Administrative Offices as of June 30, 2020 and 2019, 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.

Warren Averett, LLC

Pensacola, Florida
October 6, 2020

DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
ASSETS		
Cash and cash equivalents	$ 29,432,229	$ 34,461,027
Investments	62,917,647	53,388,996
Beneficial interest in perpetual trust	968,747	984,020
Accounts receivable from related parties, net	651,018	1,909,310
Loans receivable from related parties, net	10,580,549	8,656,852
Prepaid expenses and other assets	854,454	669,159
Cash surrender value of life insurance policies	798,239	833,136
Land, buildings, improvements and equipment, net	18,872,183	18,910,307
Priest pension plan	77,001	1,200,832
TOTAL ASSETS	$ 125,152,067	$ 121,013,639

LIABILITIES AND NET ASSETS

LIABILITIES

	2020	2019
Accounts payable and accrued liabilities	$ 648,109	$ 726,266
Deposits payable to related parties	48,880,900	49,438,453
Unearned revenue	7,017,966	1,831,032
Note payable - PPP loan	499,202	-
Reserve for insurance losses	1,498,224	6,005,160
Total liabilities	58,544,401	58,000,911
NET ASSETS		
Without donor restrictions	57,887,232	53,174,374
With donor restrictions	8,720,434	9,838,354
Total net assets	66,607,666	63,012,728
TOTAL LIABILITIES AND NET ASSETS	$ 125,152,067	$ 121,013,639

See notes to the financial statements.

DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and other revenue		
Parish assessments	$ 2,949,604	$ 2,898,015
Catholic Sharing Appeal	2,824,668	2,841,626
Contributions	25,285	10,147
Program revenue	337,037	461,251
Interest income	731,495	725,677
Insurance premiums	6,656,593	6,234,697
Other income, net	488,638	565,792
Gain on sale of property	57,924	1,928,820
Net assets released from restrictions	2,231,899	529,201
Total support, other revenue and net assets released from restrictions	16,303,143	16,195,226
Expenses		
Program expenses	11,696,338	11,070,447
Diocesan administration	2,581,104	2,097,905
Development expenses	334,289	397,018
Total expenses	14,611,731	13,565,370
Income from operating activities	1,691,412	2,629,856
Nonoperating activities		
Investment income, net	2,919,900	3,207,546
Net claims expense from Hurricane Michael	(561,155)	(291,268)
Transfer investment in Fox Trace	1,603,052	(1,545,863)
Pension related changes other than service cost	(940,351)	(666,772)
Total other changes in net assets	3,021,446	703,643
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	4,712,858	3,333,499
NET ASSETS WITH DONOR RESTRICTIONS		
Support and other revenue - contributions	373,135	1,671,529
Investment income, net	740,844	648,490
Net assets released from restrictions	(2,231,899)	(529,201)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	(1,117,920)	1,790,818
CHANGES IN NET ASSETS	3,594,938	5,124,317
NET ASSETS AT BEGINNING OF YEAR	63,012,728	57,888,411
NET ASSETS AT END OF YEAR	$ 66,607,666	$ 63,012,728

See notes to the financial statements.

DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Ministry	Education Seminarians and Vocations	Self-Insurance Program	Deposit and Loan Activities	Plant Activities	Total Program	Development	Diocesan Administration	Total
Compensation and benefits	$ 972,823	$ 548,297	$ 149,389	$ 61,994	$ -	$ 1,732,503	$ 143,633	$ 1,309,676	$ 3,185,812
Direct program expense	330,628	66,473	73,128	-	-	470,229	-	195,303	665,532
Subsidies	1,797,071	10,895	-	-	-	1,807,966	-	-	1,807,966
Computer hardware and software	3,806	47,875	-	1,800	-	53,481	3,526	72,587	129,594
Education and training	37,012	232,615	-	-	-	269,627	-	98	269,725
Office supplies, postage and dues	40,842	13,679	3,541	-	-	58,062	20,988	190,921	269,971
Media and advertising	1,017	529	726		-	2,272	-	2,052	4,324
Rentals and repairs	3,308	384	-	-	48,902	52,595		68,539	121,134
Services	38,605	23,097	2,641	21,844	2,841	89,028	161,518	247,416	497,962
Travel and conferences	14,978	17,859	9,297	-	-	42,134	2,216	29,489	73,839
Utilities and communications	19,787	5,061	707	-	16,733	42,287	2,298	117,908	162,493
Other	12,398	10,290	15,066	-	82,553	120,307	110	347,115	467,532
Insurance premiums and claims	-	-	5,617,961	-	-	5,617,961	-	-	5,617,961
Interest paid on deposits	-	-	-	851,215	-	851,215	-	-	851,215
Depreciation	-	-	-	-	486,671	486,671	-	-	486,671
Total expenses	$ 3,272,275	$ 977,054	$ 5,872,456	$ 936,853	$ 637,700	$ 11,696,338	$ 334,289	$ 2,581,104	$ 14,611,731

See notes to the financial statements.

DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Ministry	Education Seminarians and Vocations	Self-Insurance Program	Deposit and Loan Activities	Plant Activities	Total Program	Development	Diocesan Administration	Total
Compensation and benefits	$ 679,890	$ 533,954	$ 100,303	$ 51,283	$ -	$ 1,365,430	$ 129,763	$ 1,144,799	$ 2,639,992
Direct program expense	418,987	249,396	80,366	-	-	748,749	-	64,341	813,090
Subsidies	719,550	-	-	-	-	719,550	-	-	719,550
Computer hardware and software	2,450	36,795	-	1,800	-	41,045	3,510	76,080	120,635
Education and training	16,095	109	-	-	-	16,204	-	179	16,383
Office supplies, postage, and dues	47,881	11,970	4,768	847	1,210	66,676	37,489	208,230	312,395
Media and advertising	5,177	555	-	-	-	5,732	-	2,465	8,197
Rentals and repairs	4,936	80	150	-	24,994	30,161	-	84,543	114,704
Services	86,104	16,733	3,312	38,632	7,439	152,220	-	213,334	365,554
Travel and conferences	19,693	28,712	11,628	-	-	60,033	2,911	32,486	95,430
Utilities and communications	19,229	5,658	-	-	14,522	39,408	1,592	111,286	152,286
Other	102,991	10,320	67	-	118,197	231,575	221,753	138,468	591,796
Insurance premiums and claims	-	-	6,275,549	-	-	6,275,549	-	-	6,275,549
Interest paid on deposits	-	-	-	781,972	-	781,972	-	-	781,972
Depreciation	-	-	-	-	536,143	536,143	-	21,694	557,837
Total expenses	$ 2,122,983	$ 894,282	$ 6,476,143	$ 874,534	$ 702,505	$ 11,070,447	$ 397,018	$ 2,097,905	$ 13,565,370

See notes to the financial statements.

DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,594,938	$ 5,124,317
Adjustments to reconcile change in net assets to net cash operating activities:		
Depreciation	486,671	557,837
Gain on sale of property and equipment	(57,924)	(1,928,820)
Realized and unrealized gains on investments	(2,316,749)	(2,267,164)
Transfer of ownership interest in Fox Trace	-	1,545,863
Increase in cash surrender value of life insurance policies	34,897	(139,098)
Change in insurance loss reserve	449,800	(24,337)
Decrease (increase) in:		
Accounts receivable	1,258,292	(1,610,622)
Prepaid expenses and other assets	(185,295)	(97,251)
Priest pension plan	1,123,831	610,528
(Increase) decrease in:		
Accounts payable and accrued liabilities	(5,034,893)	4,635,265
Deferred revenue	5,186,934	49,131
Net cash provided by operating activities	4,540,502	6,455,649
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings, improvements and equipment	(464,588)	(901,681)
Proceeds from sale of property and equipment	73,965	1,969,265
Fox Trace transfer of cash	-	(372,355)
Collections on loans	2,349,690	3,337,928
New loans issued	(4,273,387)	(1,918,520)
Purchase of investments	(53,789,025)	(19,614,610)
Proceeds from sale of investments	46,592,396	17,283,703
Net cash used in investing activities	(9,510,949)	(216,270)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	499,202	-
(Increase) decrease in deposits payable	(557,553)	6,014,339
Net cash (provided by) used in financing activities	(58,351)	6,014,339
NET (INCREASE) DECREASE IN CASH	(5,028,798)	12,253,718
CASH AND CASH EQUIVALENTS, BEGINNING	34,461,027	22,207,309
CASH AND CASH EQUIVALENTS, ENDING	$ 29,432,229	$ 34,461,027

See notes to the financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Diocese of Pensacola – Tallahassee Administrative Offices (the "Diocese") was formed in 1975 and includes the 18 western counties of the State of Florida. The Diocese is a Corporation Sole, which is a not-for-profit corporation existing under the laws of the State of Florida. There are no stockholders, directors or officers in the Corporation Sole other than the holder of the Office of Bishop of Pensacola – Tallahassee (the "Bishop"). The Bishop holds title to all assets and is liable for all indebtedness of the Corporation Sole. The title to all assets and the responsibility for all indebtedness passes to the Bishop's successor in office.

Principles of Consolidation Applied Through March 3, 2019

In accordance with generally accepted accounting principles, the accompanying financial statements include the financial activities of the Diocese and its wholly-owned subsidiary, Fox Trace Housing, Inc. ("Fox Trace"). The Diocese transferred ownership of Fox Trace to the Bishop effective March 4, 2019; therefore, the accompanying financial statements include operations for the period July 1, 2018 through March 3, 2019. Fox Trace operates an affordable apartment complex in Panama City, Florida. The Diocese and its wholly-owned subsidiary are collectively referred to as the "Diocese" in the accompanying financial statements. All significant intercompany transactions have been eliminated in the accompanying consolidated financial statements.

Adoption of New Accounting Standards

Effective July 1, 2019, the Diocese adopted ASU-2014-09, "Revenue from Contracts with Customers (Topic 606)," which amends existing revenue recognition standards and establishes a new Accounting Standards Codification ("ASC") Topic 606. The core principle of this amendment is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for these goods or services. The Diocese concluded that all of its contracts with customers consist of a single performance obligation to transfer promised goods and are, therefore, not impacted by the adoption of ASC 606. The adoption of ASC 606 did not have an impact on the Diocese's financial statements.

Effective July 1, 2019, the Diocese adopted ASU 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The ASU requires that an employer report the service cost component separately from the other components of net benefit cost. The service cost component is reported in the same line of the statement of activities as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are reported as non-operating activities. In prior years benefit cost was reported in salaries and wages. Statement of activities amounts for 2019 have been reclassified to give retroactive effect to the adoption of ASU 2017-07 (with no effect on previously-reported change in net assets). The Diocese has used the practical expedient provided by ASU 2017-07 of using amounts disclosed in the retirement plan note in the 2019 financial statements as the estimation basis for applying the retrospective requirements of the ASU.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Adoption of New Accounting Standards – Continued

Effective July 1, 2019, the Diocese adopted ASU-2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The ASU requires unrealized gains and losses on equity securities investments with readily determinable fair values to be reported in net income rather than in other comprehensive income. The adoption of this standard did not have an impact on the Diocese's financial statements.

Effective July 1, 2019, the Diocese adopted the ASU-No. 2018-08, "Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." ASU No. 2018-08 requires that unconditional contributions (those that do not include a measurable performance-related or other barrier, or those in which the Diocese has limited discretion over how the contribution should be spent) are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions that include a measurable barrier or those for which the Diocese has limited discretion over how the contributions should be spent are recorded as conditional contributions. Conditional contributions are not recognized until they have become unconditional; that is, when the conditions surrounding the indications of the barrier have been met. The adoption of ASU No. 2018-08 did not have an impact on the financial statements, and at June 30, 2020 and 2019, the Diocese did not have any conditional contributions.

Basis of Accounting

The Diocese follows standards of accounting and financial reporting prescribed for nonprofit organizations. The Diocese uses the accrual basis of accounting.

The accompanying financial statements include the assets, liabilities, net assets and financial activities at the diocesan level of administration. The Catholic Foundation of Northwest Florida, Inc., Catholic Charities, various religious orders, lay societies, foundations and religious organizations, which operate within the Diocese, but which are not fiscally responsible to the Bishop and parishes and their related institutions, have not been included in the accompanying consolidated financial statements.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Diocese and changes therein are classified and reported as follows:

<u>Net Assets without Donor Restrictions</u> are not subject to any donor-imposed stipulations. Board designated or appropriated amounts are not legally restricted and are also reported as part of the unrestricted class.

<u>Net Assets with Donor Restrictions</u> are subject to donor-imposed stipulations that may or will be met either by actions of the Diocese and/or the passage of time.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue and Accounts Receivable
The Diocese's primary revenue is from assessments to the Diocesan parishes, Catholic Sharing Appeal, interest on loans and premiums charged to Diocesan parishes and schools for health, worker's compensation and general and property insurance. Contribution revenue is recognized when earned, and contributions are recognized when received or unconditionally pledged. Assessments and premiums are recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The performance obligations related to assessments and premiums are satisfied on a pro-rata basis as the services are provided

The Diocese's accounts receivables are primarily due from Diocesan parishes for the Catholic Sharing Appeal and parishes and schools for insurance premiums. Management reviews the receivables periodically and provides an allowance for uncollectible accounts at a level, which, in management's judgment, is adequate to absorb potential losses inherent from uncollectible receivables.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Significant estimates in these financial statements include the priest pension plan liability and the reserve for insurance losses. Actual results could differ from those estimates.

Cash and Cash Equivalents
The Diocese considers all highly-liquid investments purchased within three months of maturity to be cash equivalents.

Investments
Investments, consisting of equity marketable securities, are reported at their fair values based upon readily determinable fair values. Donated investments are recorded at fair value at the date of donation. Unrealized gains and losses are included in the statement of activities and changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions, if the restrictions are met in the reporting period in which the income and gains are recognized. The Diocese does not have any investments without a readily determinable fair value.

Cash Surrender Value of Life Insurance Policies
The Diocese is the owner and beneficiary of life insurance policies that cover the lives of certain priests. These life insurance policies have a cash surrender value, which is reported on the statement of financial position at the surrender value provided to the Diocese by the insurance carrier.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Beneficial Interest in Perpetual Trust

The beneficial interest in perpetual trust represents a donation of an irrevocable perpetual trust, where the Diocese is the sole beneficiary of the trust income. Under this agreement, the Diocese is not the trustee and does not exercise control over the related assets. The Diocese records the trust as a net asset with donor restriction, based on the market value of the trust's assets. Trust income is recorded as income in the period it is received.

Loans Receivable

Loans receivable consist of amounts loaned to Diocesan parishes, schools and related entities. Interest income is recognized monthly on outstanding loan balances at a current annual rate of 5.5%, unless special circumstances warrant a different rate. Accounts are generally considered to be past due and delinquent 30 days after the monthly due date.

Land, Buildings, Improvements and Equipment

Land, buildings, improvements and equipment acquisitions in excess of $500 are capitalized at cost, when purchased or at fair value at date of gift, when donated. Buildings and equipment are depreciated using the straight-line method over the useful lives as follows:

Buildings	30 years
Equipment	4 - 10 years
Furniture and fixtures	4 - 10 years
Vehicles	5 - 7 years

Deposits Payable

The Diocese maintains an investment program for the benefit of Diocesan parishes, schools and related entities. Deposits Payable represents funds these entities have placed with the Diocese for investment purposes. Interest is paid at a rate of 1.5 - 3% depending on the type of deposit, and the deposits are payable on demand.

Unearned Revenue

Unearned revenue consists of advanced insurance proceeds related to hurricane Michael recovery that is unearned until reconstruction costs are incurred and insurance premium payments received in advance of satisfaction of the performance obligation to provide insurance coverage which will be satisfied over time on a daily on a pro-rata basis as services are provided.

Allocation of Expenses

The costs of providing the various programs and supporting activities of the Diocese have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities. Most expenses are charged directly to program services, development or administration based on specific identification. Accordingly, some costs have been allocated among the program, and supporting services benefited by allocations based on time and effort, occupancy costs or an average square footage basis.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Tax Exemption

The Diocese, as part of the Roman Catholic Church in the United States, is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. The Diocese is not required to file a federal income tax return unless unrelated business income in excess of exempt amounts is earned. The Diocese is not aware of unrelated business income, which would necessitate filing of a tax return. The Diocese is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

Events Occurring After the Reporting Date

The Diocese has evaluated events and transactions that occurred between June 30, 2020 and October 6, 2020, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. INVESTMENTS AND FAIR VALUE

The Diocese's investments are reported at fair value, which is defined by Accounting Standards Codification Topic 820, *Fair Value Measurements* ("ASC Topic 820"), as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC Topic 820 describes three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs utilize quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability;
- Inputs derived principally from or corroborated by observable market data by correlation or by other means.

Level 3 – Inputs are unobservable data points for the asset and liability and include situations where there is little, if any, market activity for the asset or liability.

Pooled investment fund is an investment in the Mission Diocese Fund. Fair value of the pooled investment is estimated based on the net asset value, which is the proportionate share ownership in the underlying net assets of the investment fund, which are reported at fair value.

2. INVESTMENTS AND FAIR VALUE – CONTINUED

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Diocese evaluates its hierarchy disclosures annually, and based on various factors, it is possible that an asset or liability may be classified differently from year-to-year. However, the Diocese expects that changes in classifications between levels will be rare.

A summary of investments measured at fair value on a recurring basis as of June 30, 2020 and 2019, is as follows:

As of June 30, 2020:	Cost	Unrealized Gains (Losses)	Fair Value	Fair Value Level
Corporate bonds	$ 3,467,454	$ 633,841	$ 4,101,295	Level 2
Stocks	21,718,228	1,361,195	23,079,423	Level 1
U.S. Government securities	9,028,275	433,525	9,461,800	Level 1
Mutual funds	23,998,268	1,323,109	25,321,377	Level 1
Total investments measured at FMV	58,212,225	3,751,670	61,963,895	
Pooled investment fund, measured at net asset value	1,000,000	(46,248)	$ 953,752	NAV
	$ 59,212,225	$ 3,705,422	$ 62,917,647	

As of June 30, 2019:	Cost	Unrealized Gains	Fair Value	Fair Value Level
Corporate bonds	$ 7,781,107	$ 183,979	$ 7,965,086	Level 2
Stocks	18,985,138	4,085,640	23,070,778	Level 1
U.S. Government securities	7,757,636	154,924	7,912,560	Level 1
Mutual funds	12,032,982	2,407,590	14,440,572	Level 1
	$ 46,556,863	$ 6,832,133	$ 53,388,996	

3. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Diocese is the sole beneficiary of a longstanding perpetual trust that is required to be recorded on the Diocese's financial statements. The fair value of the trust's assets is recorded in the statement of financial position, and the change in the fair value each year is included in the statement of activities as a change in net assets with donor restrictions. Earnings from the trust are to be used for the education of priests. The trust consists entirely of marketable equity securities, fixed income investments and temporary cash investments. At June 30, 2020 and 2019, the fair value of this trust measured at level 3 was $968,747 and $984,020.

4. ACCOUNTS RECEIVABLE FROM RELATED PARTIES

Accounts receivable are summarized as follows:

	2020	2019
Catholic Sharing Appeal	$ 503,324	$ 502,994
Insurance premiums	208,348	119,216
Insurance proceeds	-	1,386,027
Parish receivables	93,588	76,762
Other	55,758	34,311
	861,018	2,119,310
Less allowance for doubtful accounts	(210,000)	(210,000)
	$ 651,018	$ 1,909,310

5. LOANS RECEIVABLE FROM RELATED PARTIES

	2020	2019
Loans receivable	$ 10,655,549	$ 8,731,852
Less allowance for doubtful accounts	(75,000)	(75,000)
	$ 10,580,549	$ 8,656,852

Annual maturities of loan receivables are as follows:

Year ending June 30,	
2021	1,104,595
2022	1,065,437
2023	1,098,436
2024	1,096,786
Thereafter	6,290,295
	$ 10,655,549

During the years ended June 30, 2020 and 2019, interest income totaling $588,946 and $667,668 was received from loans to related parties, respectively.

6. LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT

Land, buildings, improvements and equipment are summarized as follows:

	2020	2019
Land	$ 9,529,424	$ 9,465,835
Buildings and improvements	17,458,834	17,194,408
Equipment	676,101	670,769
Vehicles	172,960	172,960
Furniture and fixtures	729,638	728,378
	28,566,957	28,232,350
Less accumulated depreciation	(9,694,774)	(9,322,043)
	$ 18,872,183	$ 18,910,307

Depreciation expense was approximately $486,000 and $536,000 for the years ended June 30, 2020 and 2019 respectively.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	2020	2019
Accounts payable	$ 301,380	$ 298,946
Second Collections payable	153,306	265,789
Catholic Sharing Appeal rebates	80,527	62,759
Accrued payroll and related items	112,896	98,772
	$ 648,109	$ 726,266

8. LINE OF CREDIT

The company has a $5,000,000 line of credit with a bank, which matures in March 2021. The interest rate is the prime rate. There was no outstanding balance on the line of credit at June 30, 2020 and 2019. There were no draws on the line during either fiscal year.

9. NOTE PAYABLE

On April 30, 2020, the Diocese was granted a loan (the "Loan") in the aggregate amount of $499,202, pursuant to the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act").The Loan, which was in the form of a Note dated April 30, 2020, matures on April 30, 2022, bears interest at a rate of 1% per annum and is payable monthly commencing on October 30, 2020. The Note may be prepaid by the Diocese at any time prior to maturity with no prepayment penalties. Under the terms of the loan, certain amounts may be forgiven if they are used for qualifying expenses, as described in the CARES Act. Qualifying expenses include payroll costs, continuation of health care benefits, mortgage payments, rent, utilities and interest on other debt obligations. Management believes they have spent the monies on qualifying expenses; however until the bank has granted appropriate forgiveness, no assurances can be given.

10. SELF-INSURANCE

Employee Group Insurance
Substantially all employees of the Diocese and affiliated parishes, schools and related entities are provided health benefits through an insurance plan administered by the Diocese. Premiums, recorded within insurance premium revenue in the accompanying statement of activities, are billed monthly to participating entities for their estimated share of costs. Insurance claims and administrative fees are expensed as incurred by the Diocese. As part of this self-insurance program, the Diocese purchases excess insurance coverage from outside insurance carriers. During the years ended June 30, 2020 and 2019, the Diocese was responsible for costs up to $100,000 per covered person with an aggregate maximum of $5,000,000.

Property, General, Workers' Compensation and Loss Sharing Agreement
The Diocese and certain other dioceses within the State of Florida participate in the Ecclesiastical Province of Miami's (the EPM) self-insurance program to provide coverage for property and general liability and workers' compensation claims. Each participating diocese and their participating entities and affiliates are charged a pro-rata share of the EPM program's estimated claim costs, administration fees and policy premiums that are incurred in connection with the purchase of excess insurance coverage from outside carriers and management of the program.

Generally, amounts are recoverable from the excess insurance carriers under this program after a specified claim has exceeded a specified retention limit of $250,000 for workers compensation claims, $1,000,000 for a named windstorm property claims, $250,000 for all other perils and property claims and $250,000 for liability claims.

In connection with the EPM program, the Diocese participates in an aggregate excess loss-sharing agreement. This agreement covers property, liability, workers' compensation and other self-insured losses and allows each participating diocese to share in each other's losses above an actuarially determined threshold thereby providing each of the participants with an additional layer of protection from abnormally large or catastrophic losses during any given claim year.

10. SELF-INSURANCE – CONTINUED

Each participating diocese is assigned a loss fund, which represents the maximum amount of losses the diocese will be responsible for in any one claim year. For the policy year beginning April 1, 2019, the Diocese's portion of the EPM's combined loss funds was approximately $552 thousand. The Diocese is responsible for losses incurred up to the amount of its combined loss fund requirements. This actuarially determined amount was incorporated into the estimate of the self-insurance claims liability that is reported in the accompanying statement of financial position. The other participating dioceses share proportionately in the remaining losses based on their share of the total loss funds. If the total loss funds were exhausted, each diocese would be responsible for its losses in excess of its assigned portion.

A reserve for insurance losses has been recorded for claims filed, but not paid, as well as for claims incurred, but not reported. The amount of the reserve is estimated based on an actuarial valuation of losses and is recorded by the Diocese at the present value of the estimated unpaid losses using a discount factor of 2%. Any resulting adjustments are reflected in the provision for insurance losses in the year such adjustment is considered necessary.

The Diocese assesses each participating parish, school and related entity for their share of the estimated costs of claims, administration fees and premiums for excess insurance coverage and anticipated reserve requirements. Any excess of assessments over actual losses is retained by the Diocese to cover future program years.

11. HURRICANE MICHAEL

On October 10, 2018, Hurricane Michael made landfall in the Panama City, Florida, area causing catastrophic damage to the community. As a result of the storm, several parishes, schools and other related catholic entities were either severely damaged or completely destroyed.

For the year ended June 30, 2019, the Diocese incurred approximately $18.9 million in expenses and received $17.5 million of insurance proceeds and $1.2 million in insurance deductibles from the parishes, schools and related Catholic entities serviced by the self-insurance program. Approximately $4.9 million of accrued expenses are included in reserve for insurance losses, and $1.3 million of insurance proceeds are included in accounts receivable in the accompany statement of financial position.

For the year ended June 30, 2020, the Diocese incurred approximately $7.6 million in expenses and recognized $8 million of insurance proceeds. Approximately $1 million of accrued expenses are included in reserve for insurance losses, and $5 million of advanced insurance proceeds are included in deferred revenue in the accompany statement of financial position.

11. HURRICANE MICHAEL – CONTINUED

During fiscal year ended June 30, 2021, the Diocese expects to incur approximately $7 million in additional expenses for repairs and to receive approximately $2 million in additional insurance proceeds. To the extent the Diocese incurs additional expenses or receives additional insurance proceeds, these will be recognized when incurred.

12. LIFE INSURANCE POLICIES

The Diocese has life insurance policies insuring the lives of certain priests. The insurance policies are payable to the Diocese with a combined death benefit of $9.9 million and $8.7 million and a cash surrender value of $798 thousand and $833 thousand, which is recorded as an asset on the accompanying statement of net position as of June 30, 2020 and 2019, respectively.

13. FOX TRACE HOUSING

In March 2019, the Diocese transferred its investment in Fox Trace to the Bishop; therefore, a transfer of investment expense of approximately $1.6 million is recognized in the accompanying financial statements. The accompanying financial statements include operations for the period July 1, 2018 through March 3, 2019.

In April 2020, the Diocese entered into a note receivable with Fox Trace for approximately $1.6 million for the transfer of its investment in Fox Trace during fiscal year 2019. This transfer is recognized as a non-operating income in the accompanying financial statements.

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	2020	2019
Seminarian Education	$ 6,920,199	$ 6,337,651
Ministry and evangelization	538,447	661,143
Hurricane relief	145,663	1,318,382
Not subject to appropriation of expenditure	1,103,720	1,118,993
Other	12,405	402,185
	$ 8,720,434	$ 9,838,354

During the fiscal year, the majority of net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction of ministry and evangelization and hurricane relief.

15. LIQUIDITY

The Diocese has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Diocese financial assets as of June 30, 2020, reduced by amounts not available for general expenditures within one year.

Cash and cash equivalents	$ 29,432,229
Investments	62,917,647
Loans receivable, net	10,580,549
Accounts receivable, net	651,018
Total financial assets	103,581,443
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(8,720,434)
Collections of long-term note receivables beyond one year	(9,550,954)
Deposits held for investment for related parties	(48,880,900)
Financial assets available to meet cash needs for expenditures within one year	$ 36,429,155

16. RETIREMENT PLANS

Priests' Pension Plan

The Diocese has a non-contributory defined benefit pension plan (pension plan) that covers all priests of the Diocese. Pension costs include current service costs, which are accrued and funded on a current basis and prior costs, which are amortized over 15 years. The plan assets are held in a separate trust. Participants are eligible for benefits at the age of 65 and ten years of credited service. The plan provides a benefit of $55.22 per month for each year of credited service, with a maximum benefit of $1,656.68 per month.

For the years ended June 30, 2020 and 2019, there were 81 and 80 participants in the plan, respectively.

16. RETIREMENT PLANS – CONTINUED

Priests' Pension Plan – Continued
The following tables set forth further information about the defined benefit pension plan:

	2020	2019
Benefit obligation, beginning of year	$ 9,823,396	$ 8,865,412
Service cost	183,480	160,629
Interest cost	355,726	371,496
Amendments	176,741	193,286
Actuarial gain	1,116,436	689,324
Benefits paid	(526,522)	(456,751)
Benefit obligation, end of year	$ 11,129,257	$ 9,823,396
Fair value of plan assets, beginning of year	$ 11,024,228	$ 10,676,772
Actual return on plan assets	631,549	587,334
Employer contribution	77,003	216,873
Benefits paid	(526,522)	(456,751)
Fair value of plan assets, end of year	$ 11,206,258	$ 11,024,228
Fair value of plan assets at fair value	$ 11,206,258	$ 11,024,228
Projected benefit obligation	(11,129,257)	(9,823,396)
Net pension asset	$ 77,001	$ 1,200,832

Amounts recognized in the statement of activities consist of the following:

	2020	2019
Service cost	$ 183,480	$ 160,629
Interest cost	355,726	371,496
Expected return on assets	(538,746)	(731,827)
Amortization of unrecognized transition obligation	133,272	133,272
Amortization of unrecognized prior service cost	38,905	24,037
Amortization of unrecognized actuarial loss	73,946	13,519
Net periodic pension cost	$ 246,583	$ (28,874)

16. RETIREMENT PLANS – CONTINUED

Priests' Pension Plan – Continued

GAAP requires that an employer disaggregate the service cost component from the other components of net pension benefit cost and report the service cost component in the same statement of activities line item as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the statement of activities separately from the service cost component and outside a subtotal of changes in net assets from operations, if one is presented. The service cost amount for the priests' pension plan is recorded in ministry program expenses. Other components of net benefit cost are included in pension related changes other than service costs in non-operating changes in net assets on the statement of activities.

Other changes in plan assets and benefit obligations previously recognized in changes in net assets without donor restrictions:

	2020	2019
Unrecognized transition obligation	$ 399,822	$ 533,094
Net prior service cost	587,857	450,021
Unrecognized actuarial net loss	3,013,405	2,063,718
Amounts previously recognized in net assets without donor restrictions, not yet recognized as periodic pension cost	$ 4,001,084	$ 3,046,833

Amortization payments paid during fiscal year:

Amortization of transition obligation	$ 133,272
Amortization of net prior service cost	38,905
Amortization of net loss	73,946
Total amortization payments	$ 246,123

Amortization payments expected to be paid during fiscal year ended June 30, 2021:

Amortization of transition obligation	$ 133,272
Amortization of net prior service cost	52,500
Amortization of net loss	145,598
Total amortization payments	$ 331,370

16. RETIREMENT PLANS – CONTINUED

Priests' Pension Plan – Continued
The following assumptions were used in accounting for the plan:

	2020	2019
Weighted-average assumption used to determine pension benefit obligations		
Discount rate	2.83%	3.72%
Weighted-average assumptions used to determine net periodic pension benefit costs		
Discount rate	3.72%	4.30%
Expected return on plan assets	5.00%	7.00%

The discount rate will fluctuate depending on the rate at which pension obligations can be effectively settled. The assumption for the expected return on plan assets for pension purposes is the average rate of earnings expected on the funds invested to provide for benefits included in the projected benefit obligation.

The Diocese's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. The target allocations for plan assets are 53% equity securities, 42% debt securities and 5% other investments.

The investment policy is periodically reviewed by the Diocese and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner to comply at all times with applicable government regulations.

The fair values of the Pension Plan assets by asset class are as follows:

	June 30, 2020		June 30, 2018	
Asset Category	Level 1*	%	Level 1*	%
Equity securities	$ 5,753,196	51%	$ 5,536,670	51%
Debt securities	4,991,268	45%	4,932,532	46%
Other	461,794	4%	555,026	3%
	$ 11,206,258	100%	$ 11,024,228	100%

*Assets are valued at level 1 inputs, as determined from quoted prices in active markets for identical assets.

16. RETIREMENT PLANS – CONTINUED

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

2021	$ 535,000
2022	578,000
2023	632,000
2024	644,000
2025	643,000
2026 - 2029	3,133,000
	$ 6,165,000

The Diocese is not required to contribute to the plan for fiscal year ending June 30, 2021.

Lay Employees – 401(k) Plan
The Diocese has a defined contribution plan that covers all lay employees age 20.5 or older. The Diocese matches a scaled percentage of employee contributions up to the first 6% of their compensation depending upon their years of service. The Diocese's matching contributions amounted to $68,997 and $95,314 for the years ended June 30, 2020 and 2019.

17. COMMITMENTS AND CONTINGENCIES

Credit Risk
The Diocese places its cash and investments in financial intuitions and investment firms that are federally insured for $250,000 and for $500,000 under the Federal Deposit Insurance Corporation (FDIC) and the Securities Investors Protection Corporation (SIPC), respectively. At June 30, 2020 and 2019, the aggregate balances were in excess of the insurance and therefore, bear some risk since they are not collateralized. The Diocese has not experienced any losses on its cash or investments to date as related to the FDIC and SIPC insurance limits.

Contingency
On March 11, 2020, the World Health Organization declared the novel strain of the coronavirus ("COVID-19") a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and services across a range of industries. The extent of the impact of COVID-19 on the Diocese's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our citizens, employees and vendors, and economical mitigation measures to be taken by federal and state government, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Diocese's financial condition or results of operations is uncertain and cannot be estimated.

18. SUBSEQUENT EVENT

In September, the Diocesan region was impacted by Hurricane Sally and expects to incur insurance claims associated with damages. Currently, management estimates approximately $1 million in damages related to the storm.