DIOCESE OF VENICE IN FLORIDA, INC.

COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

Most Reverend Frank J. Dewane, Bishop
Diocese of Venice in Florida, Inc.
Venice, Florida

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Diocese of Venice in Florida, Inc. (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2014 and 2013, and the related combined 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 combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As discussed in Note 17 to the combined financial statements, the accounts of the All Saints Catholic Cemetery, Inc. have not been included in the accompanying combined financial statements of the Diocese of Venice in Florida, Inc. In our opinion, accounting principles generally accepted in the United States of America require those accounts be included in the accompanying combined financial statements.

Qualified Opinion

In our opinion, except for the effects of not including the accounts of All Saints Catholic Cemetery, Inc., deemed to be an entity under common control, as discussed in the Basis for Qualified Opinion paragraph, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Diocese of Venice in Florida, Inc. as of June 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
October 10, 2014

DIOCESE OF VENICE IN FLORIDA, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	$ 28,218,906	$ 18,086,237
Accounts Receivable	2,928,639	2,835,080
Investments	63,798,506	55,527,901
Loans and Accrued Interest Receivable from Diocesan Entities, Net	26,766,320	32,522,682
Mortgages and Other Notes Receivable	9,764,179	10,759,577
Land, Buildings, and Equipment, Net	7,548,691	7,154,036
Other Assets	1,873,253	2,188,965
Land Held for Expansion	27,436,919	27,431,918
Total Assets	$ 168,335,413	$ 156,506,396
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Liabilities	$ 1,423,163	$ 1,413,349
Insurance Claims Payable	1,137,454	2,914,468
Savings on Deposit from Diocesan Entities	50,787,696	47,814,275
Deferred Revenue	13,438,464	12,106,359
Funds Held for Others	3,270,082	3,118,371
Other Liabilities	1,558,475	1,653,945
Mortgage Notes Payable	6,210,374	7,362,380
Total Liabilities	77,825,708	76,383,147
NET ASSETS		
Unrestricted:		
Designated for Outreach	576,941	451,178
Designated Endowment	4,728,428	3,991,513
Designated for Land, Buildings, and Equipment	7,548,691	7,154,036
Designated for Future Expansion	40,593,782	40,606,947
Undesignated	35,309,350	26,177,769
Total Unrestricted	88,757,192	78,381,443
Temporarily Restricted	152,513	141,806
Permanently Restricted	1,600,000	1,600,000
Total Net Assets	90,509,705	80,123,249
Total Liabilities and Net Assets	$ 168,335,413	$ 156,506,396

See accompanying Notes to Combined Financial Statements.

DIOCESE OF VENICE IN FLORIDA, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Support and Revenues:				
Parish Assessments	$ 11,364,171	$ -	$ -	$ 11,364,171
Insurance Program Revenue	14,208,582	-	-	14,208,582
Contributions and Collections	870,024	10,707	-	880,731
Investment Income	9,264,694	-	-	9,264,694
Miscellaneous	413,723	-	-	413,723
Other Property Revenue	243,580	-	-	243,580
Total Support and Revenues	36,364,774	10,707	-	36,375,481
Net Assets Released from Restrictions	-	-	-	-
Total Support and Revenues	36,364,774	10,707	-	36,375,481
Expenses:				
Program Services:				
Pastoral Ministries	199,793	-	-	199,793
Education and Faith Formation	649,546	-	-	649,546
Mission and Apostolate Support	2,989,813	-	-	2,989,813
Catholic School Support	1,453,893	-	-	1,453,893
Vocations and Clergy Formation	1,101,074	-	-	1,101,074
Canonical Services	231,807	-	-	231,807
Insurance Program Expenses	11,017,811	-	-	11,017,811
Interest Paid on Savings Deposits	1,081,839	-	-	1,081,839
Total Program Service Expenses	18,725,576	-	-	18,725,576
Support Services:				
Temporal Services	5,617,564	-	-	5,617,564
Stewardship and Development	421,486	-	-	421,486
Total Support Service Expenses	6,039,050	-	-	6,039,050
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	11,600,148	10,707	-	11,610,855
NON-OPERATING ACTIVITIES				
Doubtful Accounts Expense	1,224,399	-	-	1,224,399
CHANGE IN NET ASSETS	10,375,749	10,707	-	10,386,456
Net Assets - Beginning of Year	78,381,443	141,806	1,600,000	80,123,249
NET ASSETS - END OF YEAR	$ 88,757,192	$ 152,513	$ 1,600,000	$ 90,509,705

See accompanying Notes to Combined Financial Statements.

DIOCESE OF VENICE IN FLORIDA, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Support and Revenues:				
Parish Assessments	$10,896,676	$ -	$ -	$10,896,676
Insurance Program Revenue	14,366,508	-	-	14,366,508
Contributions and Collections	437,966	9,895	-	447,861
Investment Income	7,915,280	-	-	7,915,280
Miscellaneous	446,199	-	-	446,199
Other Property Revenue	407,246	-	-	407,246
Total Support and Revenues	34,469,875	9,895	-	34,479,770
Net Assets Released from Restrictions	2,042,853	(2,042,853)	-	-
Total Support and Revenues	36,512,728	(2,032,958)	-	34,479,770
Expenses				
Program Services				
Pastoral Ministries	504,694	-	-	504,694
Education and Faith Formation	480,315	-	-	480,315
Mission and Apostolate Support	5,119,630	-	-	5,119,630
Catholic School Support	1,753,005	-	-	1,753,005
Vocations and Clergy Formation	1,367,008	-	-	1,367,008
Canonical Services	270,111	-	-	270,111
Insurance Program Expenses	11,523,030	-	-	11,523,030
Interest Paid on Savings Deposits	1,801,193	-	-	1,801,193
Total Program Service Expenses	22,818,986	-	-	22,818,986
Support Services				
Temporal Services	4,889,927	-	-	4,889,927
Stewardship and Development	1,061,347	-	-	1,061,347
Total Support Service Expenses	5,951,274	-	-	5,951,274
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	7,742,468	(2,032,958)	-	5,709,510
NON-OPERATING ACTIVITIES				
Doubtful Accounts Expense	1,996,521	-	-	1,996,521
CHANGE IN NET ASSETS	5,745,947	(2,032,958)	-	3,712,989
Net Assets - Beginning of Year	72,635,496	2,174,764	1,600,000	76,410,260
NET ASSETS - END OF YEAR	$78,381,443	$ 141,806	$ 1,600,000	$80,123,249

See accompanying Notes to Combined Financial Statements.

DIOCESE OF VENICE IN FLORIDA, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 10,386,456	$ 3,712,989
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	364,256	359,644
Doubtful Accounts Expense	1,224,399	1,996,521
Net Realized and Unrealized Gains on Investments	(6,269,963)	(4,841,852)
Contribution of Securities	(687,557)	(729,539)
Loss on Disposal of Land, Buildings, and Equipment	-	32,273
(Increase) Decrease in:		
Accounts Receivable	(384,911)	1,612,130
Loans and Accrued Interest Receivable	4,823,315	4,712,899
Other Notes Receivable	-	8,928
Other Assets	315,712	(446,263)
Accrued Interest on Notes Receivable	(147,124)	(4,000)
Increase (Decrease) in:		
Accounts Payable and Other Liabilities	9,814	797,676
Insurance Claims Payable	(1,777,014)	(1,460,565)
Deferred Revenue	1,332,105	482,249
Funds Held for Others	151,711	532,366
Other Liabilities	(95,470)	1,653,945
Net Cash Provided by Operating Activities	9,245,729	8,419,401
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(758,911)	(230,777)
Purchases of Land Held for Future Expansion	(5,001)	(357,156)
Loans Made	(21,984)	(3,120,617)
Principal Payments Received on Loans Made	12,500	-
Proceeds from Sales of Investments	49,677,826	6,127,076
Purchase of Investments	(50,990,911)	(1,144,706)
Net Cash Provided (Used) by Investing Activities	(2,086,481)	1,273,820
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Savings on Deposit	2,973,421	(12,766,316)
Proceeds from (Payments on) Line of Credit	-	(120,000)
Net Cash Provided (Used) by Financing Activities	2,973,421	(12,886,316)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,132,669	(3,193,095)
Cash and Cash Equivalents - Beginning of Year	18,086,237	21,279,332
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 28,218,906	$ 18,086,237
SUPPLEMENTAL DISCLOSURES		
Cash Paid for Interest on Deposits	$ 1,094,152	$ 1,812,886
Accrued Interest on Notes Receivable	$ 147,124	$ 4,000

See accompanying Notes to Combined Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Diocese of Venice in Florida was established by Pope Saint John Paul II in 1984 from parts of the Archdiocese of Miami, Diocese of Orlando, and the Diocese of St. Petersburg, and is geographically comprised of the ten counties of Southwest Florida. The Chancery offices of the Diocese conduct business through the Diocese of Venice in Florida, Inc. (the "Diocese"), which consists of the Office of the Bishop and his Curia or support staff, who minister to parishes, schools, and other institutions within the geographical Diocese of Venice in Florida. The Diocese's accounts do not include the assets, liabilities, net assets, revenues, or expenses of parishes, missions, schools, Catholic Charities of the Diocese of Venice, and low income housing units, among others. Certain institutions within the Diocese are separately incorporated as nonprofit corporations under the laws of the State of Florida. The Diocese does include assets, liabilities, net assets, revenues and expenses of the outreach and support service programs that are under the direct administrative operations of the Diocese.

The Most Reverend Frank J. Dewane, in his capacity as Bishop, holds title to all real property within the geographical Diocese including its parishes, missions, schools, and certain Institutions under both the Laws of the State of Florida and the Laws of the Roman Catholic Church in trust for these entities. He is empowered under both civil and Ecclesiastical law to receive and hold title to real property, administer all real property, and to dispose of all real property of each and every entity in the geographical Diocese, for the benefit and use of those entities. Deeds for all real property for parishes and schools are in the name of "Frank J. Dewane as Bishop of the Diocese of Venice in Florida, His Successors in Office, a corporation sole." A corporation sole is not a statutory corporation. It exists under the common law doctrine that is recognized in the State of Florida by Florida Statute §2.01. Authority is referenced to Reid v. Barry, 112 So.846 (Fla). Under the doctrine, the Bishop "solely" is the corporation and is the only interested person. Since it is not a statutory corporation, there are no articles of incorporation, by-laws, or any officers or directors. Real property assets held by the Corporation Sole in trust for the Diocese are included in the accompanying combined financial statements.

The assets, liabilities, net assets, revenues, and expenses of Diocese of Venice Savings and Loan Trust Fund are included in the accompanying combined financial statements. This cooperative savings and loan program is governed by trustees and administered by the Diocese in trust for entities within the geographical Diocese. Its purpose is to manage deposits of medium to long-term funds and also to issue loans to participating members, primarily for construction projects.

The assets, liabilities, net assets, revenues, and expenses of Trinity Real Estate Trust are included in the accompanying combined financial statements. This property revolving program is governed by a trustee and administered by the Diocese. Its purpose is to hold and manage real property held for future expansion of parishes and schools within the geographical Diocese along with expendable resources designated for real property acquisitions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Organization (Continued)

The Diocese receives financial support from and provides financial support and services to approximately 85 parishes and schools in the geographical Diocese of Venice in Florida. In addition, under Canon Law, subject to certain specific restrictions, the Bishop of the Diocese is responsible for canonical oversight of all diocesan assets for the purpose of fulfilling the ministerial purposes of the Catholic Church.

Basis of Presentation

These combined financial statements, which are prepared on the accrual basis of accounting, have been prepared to focus on the Diocese as a whole. Net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Diocese and changes therein are classified and reported as follows:

Unrestricted – Net assets not subject to donor-imposed restrictions. Included in unrestricted net assets are net assets designated for specific programs based upon the nature and types of programs. Such designations are subject to change.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Diocese or the passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Diocese. The donors of these resources typically would permit the Diocese to use all or part of the income earned, including capital appreciation on related investments, for unrestricted or temporarily restricted purposes.

Liquidity

Assets are presented in the accompanying combined statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include the allowances for doubtful loans and the reserves for insurance claims.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Diocese considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

The Diocese places its cash with financial institutions. At times, such cash balances may be in excess of federally insured limits.

Investments

Investments in marketable securities with readily determinable fair values and investments in debt and other securities are reported at fair value in the combined statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying combined statements of activities.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. The Diocese uses the allowance method of accounting for doubtful accounts, which is based on management judgment using historical information. Additions to the allowance are based on several factors which include, but are not limited to, analytical review of loss experience in relation to outstanding receivables, a continuing review of economically disadvantaged and other parishes which are currently unable to meet their financial obligations, and overall adequacy of collateral on the existing receivable balances. Accounts receivable includes self insurance premiums and other assessments and fees due from parishes at June 30, 2014.

Land, Buildings, and Equipment, Net

All land, buildings, and equipment of the Diocese are recorded at their historical cost. Donated assets are recorded at fair market value at the date of the gift. Donated assets are treated as unrestricted in the absence of stipulations by the donor about how long the asset may be used. All maintenance and repair of assets are charged to operations as incurred. Depreciation of buildings and equipment is provided for by charges to operations using straight-line methods over the estimated useful lives ranging from three to forty years.

Land Held for Future Expansion

The Diocese purchases real estate for the purpose of providing future parish sites. The property is recorded at cost and the related real estate taxes, maintenance, legal and other costs are expensed as incurred. When a parish is established, the cost and a 6% annual market appreciation are charged to the parish. Proceeds from the sale of land held for future expansion are designated for future property acquisitions. At June 30, 2014 and 2013, the Diocese had $101,298 and $237,963, respectively, of deferred revenue related to real estate sales recorded under the installment method of revenue recognition.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split-Interest Agreements

The Diocese is named residual beneficiary of certain charitable remainder trusts. In addition, the Diocese is a named beneficiary for bequests under existing will and trust instruments. The assets of these trusts and bequests are not included in the statements of financial position of the Diocese because the designation of ultimate beneficiary is revocable at the discretion of the grantor/testator.

Donated Materials and Services

Donated materials are recorded as contributions at their estimated fair value at the date of receipt. The Diocese has adopted a policy which recognizes donated services provided by individuals possessing specialized skills which would typically need to be purchased if not provided by donation. No such services were donated during the years ended June 30, 2014 and 2013. Many volunteers have donated their time to Diocesan program services and administrative functions performing tasks that do not require specialized skills. The financial statements do not reflect the value of these donated services because an objective basis of measurement is unavailable.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

All Diocesan entities, including parishes and schools, are required to participate in the insurance programs that are administered through the Self Insurance and Employee Benefit Programs. Participating individuals and entities are charged premiums based upon the estimated costs of the programs, including insurance premiums paid for stop-loss coverage, self-insured claims expenses, and professional program administration.

Functional Expenses

The costs of providing the various programs and other activities of the Diocese have been summarized on a functional basis in the statements of activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement of Investments and Annuity Obligations

The Diocese categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Diocese has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Diocese may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Diocese has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the investment's credit rating, prepayment assumptions, and other factors such as credit loss assumptions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement of Investments and Annuity Obligations (Continued)

Investments valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. Government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Investments valued using Level 2 inputs include investments such as private collateralized mortgage obligations, municipal bonds, and corporate debt securities. Investments valued using Level 3 inputs would include private equity funds.

Other Fair Value Measurements

The carrying amounts of cash and cash equivalents, accounts receivable, loans and accrued interest receivable, accounts payable, savings on deposit, funds held for others, and other liabilities approximate fair value due to the short maturity of these instruments. The carrying amounts of mortgages and other notes receivable and mortgage notes payable approximate fair value because the debt is at floating rates or rates currently available for fixed rate debt with similar terms.

Income Taxes

In an annually updated ruling, the Internal Revenue Service held that the agencies, instrumentalities and educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in “The Official Catholic Directory” are exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Diocese is listed in “The Official Catholic Directory” and therefore is exempt from income tax. Accordingly, the accompanying combined financial statements reflect no provision for income taxes.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. This included a reclassification of expenses from temporal services totaling $1,013,937 and $143,338 to mission and apostolate support and education and faith formation, respectively.

Subsequent Events

In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through October 10, 2014, the date the financial statements were available to be issued.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2014	2013
Self Insurance Premiums	$ 1,980,856	$ 2,533,450
Other Receivables	558,928	35,168
Employee Benefit Premiums	388,855	266,462
Total Accounts Receivable	$ 2,928,639	$ 2,835,080

NOTE 3 INVESTMENTS

Investments consist of the following at June 30:

	2014	
	Market Value	Cost
Domestic Equities	$ 24,978,314	$ 19,141,519
Foreign Equities	18,443,003	15,260,938
Corporate Bonds	3,465,237	3,441,878
Government Bonds	7,609,442	7,584,353
Government Backed Securities	445,628	434,732
Mortgage Backed Securities	2,921,682	2,944,104
Commodity Funds	2,595,712	3,020,618
Exchange Traded Funds	1,837,803	1,794,849
Real Estate Investment Funds	1,501,685	1,252,766
Total Investments	$ 63,798,506	$ 54,875,757

	2013	
	Market Value	Cost
Domestic Equities	$ 21,239,664	$ 15,717,660
Foreign Equities	13,950,999	12,872,099
Corporate Bonds	4,777,654	4,783,344
Government Bonds	4,332,314	4,365,533
Government Backed Securities	1,041,650	1,040,034
Mortgage Backed Securities	1,996,779	2,022,768
Commodity Funds	2,432,694	3,140,082
Exchange Traded Funds	3,454,946	3,546,083
Real Estate Investment Funds	2,301,201	2,031,273
Total Investments	$ 55,527,901	49,518,876

NOTE 3 INVESTMENTS (CONTINUED)

Investment income earned and market value change on these investments consisted of the following for the years ended June 30:

	2014	2013
Interest and Dividends	2,994,731	3,073,428
Realized Gains	4,367,478	2,323,505
Unrealized Gains	1,902,485	2,518,347
Total Investment Return	$ 9,264,694	$ 7,915,280

NOTE 4 LOANS RECEIVABLE AND SAVINGS ON DEPOSIT (SAVINGS & LOAN TRUST FUND)

Loans receivable and savings on deposit represent loans to and deposits from Diocesan entities, respectively. They are held by the Diocese of Venice Savings and Loan Trust Fund which is established for the mutual benefit of the participants. The provision for doubtful loans receivable is estimated by management based on an analysis of outstanding loans and related accrued interest. During the years ended June 30, 2014 and 2013, doubtful loans expense was recorded totaling $933,047 and $774,667, respectively.

Loans receivable due from parishes generally bear interest at a variable rate which was 4.75% and 2.75% at June 30, 2014 and 2013, respectively, and are due over periods ranging from one to ten years. Total interest income associated with these notes for the years ended June 30, 2014 and 2013 was $1,515,309 and $1,773,693, respectively. At June 30, 2014 and 2013, loans receivable included accrued interest receivable totaling $2,358,841 and $2,273,905, respectively, and are due as follows:

	2014	2013
Loans Receivable Issuance - Current Year	$ 1,804,834	$ 1,893,625
Loans Receivable Issuance - Greater than One Year	35,847,328	40,206,567
Estimate of Doubtful Loans Receivable	(10,885,842)	(9,577,510)
Total Loans Receivable	$ 26,766,320	$ 32,522,682

Savings on deposit from parishes totaled $50,787,696 and $47,814,275 at June 30, 2014 and 2013, respectively, and bear interest at a variable rate which was 2.75% at June 30, 2014 and 2013. Interest expense on such deposits totaled $1,081,839 and $1,812,886 during the years ended June 30, 2014 and 2013, respectively. Certain savings on deposit, currently known as Endowment Savings Accounts totaling $8,734,031 and $7,935,674 at June 30, 2014 and 2013, respectively, accrue interest based on the investment return rate of the Savings and Loan Trust Fund portfolio. The investment return rate of the Savings and Loan Trust Fund portfolio at June 30, 2014 and 2013 was approximately 15.70% and 9.65%, respectively.

NOTE 5 MORTGAGES AND OTHER NOTES RECEIVABLE

Mortgages and other notes receivable are summarized as follows at June 30:

	2014	2013
Note Receivable from Nonprofit Corporation, Unsecured, Interest Accruing at 2%, Interest Only Payments Commencing June 30, 2013 and Payable Thereafter Annually, any Unpaid Interest and Principal due in full at Maturity Date, April 2, 2018.	$ 204,000	$ 204,000
Mortgages Receivable - See Description at Note 9	6,210,374	7,362,380
Promissory Note Line of Credit from All Saints Catholic Cemetery, Inc., $8,000,000 Available, Interest Accruing at 4.75%, Interest Only Payments Commencing July 2016 and Payable Thereafter Annually, any Unpaid Interest and Principal due in full at Maturity Date, July 1, 2022. The balance includes accrued interest totaling $254,101 and $106,977 at June 30, 2014 and 2013, respectively.	3,244,475	3,109,851
Other	105,330	83,346
Total Mortgages and Other Notes Receivable	$ 9,764,179	$ 10,759,577

A summary of the scheduled principal collections of mortgages and other notes receivable is as follows at June 30, 2014:

Year Ending June 30,	Amount
2015	$ 539,435
2016	2,722,568
2017	476,689
2018	717,569
2019	515,499
2020 and thereafter	4,792,419
	$ 9,764,179

NOTE 6 LAND, BUILDINGS, AND EQUIPMENT

Land, Buildings, and Equipment consist of the following at June 30:

	2014	2013
Land	$ 1,413,158	$ 1,296,727
Equipment	1,022,963	1,022,963
Buildings and Improvements	10,041,878	9,399,400
Total	12,477,999	11,719,090
Less: Accumulated Depreciation	(4,929,308)	(4,565,054)
Total Land, Buildings, and Equipment	$ 7,548,691	$ 7,154,036

NOTE 6 LAND, BUILDINGS, AND EQUIPMENT (CONTINUED)

Depreciation expense for the years ended June 30, 2014 and 2013 was $364,256 and $359,644, respectively.

NOTE 7 LAND HELD FOR FUTURE EXPANSION

Land held for future expansion totals $27,436,919 and $27,431,918 at June 30, 2014 and 2013, respectively, and consists of land purchased or donated, designated to be used and held for future parish sites or for other religious purposes. The cost basis of the land includes original purchase price in addition to certain engineering and other permitting costs incurred in conjunction with the original purchase.

NOTE 8 LINE OF CREDIT

The Diocese has a $10,000,000 revolving line of credit with a bank that is due on demand. Interest accrues at the 30-day LIBOR rate plus 1.25% (1.31% and 1.52% at June 30, 2014 and 2013, respectively) and is payable monthly. The line of credit is collateralized by business assets of the Diocese. The total outstanding amount of this line of credit at June 30, 2014 and 2013 was $-0-.

NOTE 9 MORTGAGE NOTES PAYABLE

The Diocese is the primary obligor for certain mortgage loans from financial institutions and others on behalf of several Diocesan entities. The proceeds of these loans were primarily used to finance construction of real property improvements. The Diocese records a loan receivable from the Diocesan entity equal to the amount due to the mortgage holders. The debt service related to these loans is paid directly to the financial institution by the Diocesan entity. Accordingly, the accompanying combined financial statements do not reflect the interest costs incurred by the Diocesan entities. These loans are secured by substantially all business assets of the Diocese, with the exception of any real property.

The Diocese believes the entities are capable of making the required payments when due. Further, in management's opinion, the value of the underlying assets of these entities is sufficient to fully collateralize the debt. The total outstanding amount of these loans payable at June 30, 2014 and 2013 was $6,210,374 and $7,362,380, respectively.

NOTE 9 MORTGAGE NOTES PAYABLE (CONTINUED)

These mortgage loan agreements contain various covenants pertaining to maintenance of minimum debt service coverage and liquidity ratios in addition to requirements to provide certain reports to the financial institution. Also, the loan agreements require that no loans or extensions of credit be made to any individual without the prior consent of the financial institution. During the year ended June 30, 2014, the Diocese made a $20,000 loan to a priest without the prior required consent of the financial institution. The financial institution has waived this instance of non-compliance with the agreement as of June 30, 2014 and indefinitely.

A summary of the scheduled principal payments on mortgage notes payable by parishes is as follows at June 30, 2014:

Year Ending June 30,	Amount
2015	$ 2,716,135
2016	458,393
2017	476,689
2018	495,714
2019	515,499
2020 and thereafter	1,547,944
	$ 6,210,374

NOTE 10 FAIR VALUE MEASUREMENTS

The Diocese uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Diocese measures fair value, refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Diocese measured at fair value on a recurring basis as of June 30:

	2014			
	Level 1	Level 2	Level 3	Total
Investments:				
Domestic Equities	$ 24,978,314	$ -	$ -	$ 24,978,314
Foreign Equities	18,443,003	-	-	18,443,003
Corporate Bonds	-	3,465,237	-	3,465,237
Government Bonds	-	7,609,442	-	7,609,442
Government Backed Securities	-	445,628	-	445,628
Mortgage Backed Securities	-	2,921,682	-	2,921,682
Commodity Funds	2,595,712	-	-	2,595,712
Exchange Traded Funds	1,837,803	-	-	1,837,803
Real Estate Investment Funds	1,501,685	-	-	1,501,685
Total Investments	$ 49,356,517	$ 14,441,989	$ -	$ 63,798,506
Liabilities:				
Annuity Obligations	$ -	$ -	$ 1,061,462	$ 1,061,462

NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)

2013	Level 1	Level 2	Level 3	Total
Investments:				
Domestic Equities	$ 21,239,664	$ -	$ -	$ 21,239,664
Foreign Equities	13,950,999	-	-	13,950,999
Corporate Bonds	-	4,777,654	-	4,777,654
Government Bonds	-	4,332,314	-	4,332,314
Government Backed Securities	-	1,041,650	-	1,041,650
Mortgage Backed Securities	-	1,996,779	-	1,996,779
Commodity Funds	2,432,694	-	-	2,432,694
Exchange Traded Funds	3,454,946	-	-	3,454,946
Real Estate Investment Funds	2,301,201	-	-	2,301,201
Total Investments	$ 43,379,504	$ 12,148,397	$ -	$ 55,527,901
Liabilities:				
Annuity Obligations	$ -	$ -	$ 1,136,283	$ 1,136,283

The following table sets forth a summary of changes in the fair value of the Diocese Level 3 liabilities for the years ended June 30, 2014 and 2013:

Level 3 Annuity Obligations:	
Balance at July 1, 2012	$ 614,067
Payments Made to Beneficiaries	(102,436)
Change in Fair Value of Annuity Obligations	624,652
Balance at June 30, 2013	1,136,283
Payments Made to Beneficiaries	(132,856)
Change in Fair Value of Annuity Obligations	58,035
Balance at June 30, 2014	$ 1,061,462

Corporate and government bonds, and government and mortgage backed securities are measured at fair value with a valuation technique utilizing market prices at the close of the last business day for the statement period, provided by the investment advisors.

Annuity obligations are measured at fair value with a valuation technique utilizing estimated payout percentages, life expectancies, and IRS remainderment factors.

NOTE 11 EMPLOYEE RETIREMENT PLANS

The Diocese makes contributions to a multi-employer defined benefit pension plan. These payments are made to the Diocese of Venice Pension Plan & Trust (the "Plan").

The Plan covers eligible employees working for institutions within the Diocese. Retirement benefits are computed in accordance with Plan documents which can be amended by trustees of the Plan. Pension benefits are generally calculated based on years of service for priests and on a percentage of average monthly earnings multiplied by years of service for lay employees. Active participants who become totally and permanently disabled may receive disability benefits.

The funding status and total contributions for the Plans are not publicly available. The Diocese's contribution to the Plan is a fixed amount per priest and a percentage of qualified salaries for lay employees established by the trustees of the Plan. The Diocese's contributions to the Plan for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Employer Contributions	$ 514,354	$ 525,102

Effective July 1, 2014, the Diocese has frozen its Internal Revenue Code 401(k) retirement savings plan for all employees. The 401(k) plan will be terminated as of December 31, 2014. All contributions to the 401(k) plan through June 30, 2014 were made by employees through salary deferrals. The 401(k) plan did not provide for employer contributions. The plan is exempt from the reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective July 1, 2014, the Diocese has adopted an Internal Revenue Code 403(b) retirement savings plan for substantially all employees. Contributions to the 403(b) plan are made by employees through salary deferrals as well as by the Diocese in both a non-contributory and matching component. The plan is exempt from the reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

NOTE 12 OTHER EMPLOYEE BENEFITS

The Diocese provides post-employment health and other insurance coverage benefits to certain retired clergy. The Diocese is required to disclose the over or under funded status of a defined benefit post-employment plan and changes in the funding in the year in which the change occurs in unrestricted net assets. At June 30, 2014 and 2013, the post-employment obligation of the Diocese of approximately $720,000 and $580,000, respectively, is unfunded and calculated using the IRS life expectancy tables with a 4.25% discount rate. These obligations are based on the list of priests who are assigned to the Diocese at each respective fiscal year-end. Being that the majority of these priests will be assigned to another institution prior to their retirement, management believes that the full amount of the obligations noted above will not be realized and therefore these amounts are not recognized. The Diocese estimates post-employment health and other insurance benefit payments will be approximately $35,000 for each of the subsequent five years, and approximately $207,000 for years ending June 30, 2020-2024.

NOTE 13 ENDOWMENT

Endowment net asset composition by type of fund as of June 30:

	2014		
	Unrestricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 1,600,000	$ 1,600,000
Designated Endowment Funds	4,728,428	-	4,728,428
Total Endowment Funds	$ 4,728,428	$ 1,600,000	$ 6,328,428

	2013		
	Unrestricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 1,600,000	$ 1,600,000
Designated Endowment Funds	3,991,513	-	3,991,513
Total Endowment Funds	$ 3,991,513	$ 1,600,000	$ 5,591,513

The Diocese's endowment consists of two funds established for a variety of purposes. One endowment is donor-restricted and its income is to be used for operations and other administrative costs. The other consists of funds designated to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Diocese has interpreted the relevant law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Diocese classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets. The Diocese considers all earnings on endowment funds to be available for current year operations.

NOTE 13 ENDOWMENT (CONTINUED)

Endowment net asset composition by fund type as of June 30, 2014 and 2013 and during the years then ended is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, July 1, 2012	$ 4,360,414	$ -	$ 1,600,000	$ 5,960,414
Investment Return:				
Investment Income	557,202	-	-	557,202
Net Realized and Unrealized Gains (Losses)	104,593	-	-	104,593
Total Investment Return	661,795	-	-	661,795
Contributions	89,929	-	-	89,929
Appropriations of Endowment Assets for Expenditure	(1,120,625)	-	-	(1,120,625)
Endowment Net Assets, June 30, 2013	$ 3,991,513	$ -	$ 1,600,000	$ 5,591,513
Investment Return:				
Investment Income	760,600	-	-	760,600
Net Realized and Unrealized Gains (Losses)	(23,685)	-	-	(23,685)
Total Investment Return	736,915	-	-	736,915
Contributions	-	-	-	-
Appropriations of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets, June 30, 2014	$ 4,728,428	$ -	$ 1,600,000	$ 6,328,428

The Diocese has an investment policy statement (IPS) that is based on providing funding for its various programs. The objective of the IPS is to preserve capital and provide growth, income, and inflation protection with a moderate level of risk. The target rate of return is 5% - 7% over a 20-year time horizon. The Diocese IPS limits the type of investments to equities, fixed income, and real estate investment trusts. In addition, the policy limits that investments adhere to the prohibitions of investments in companies substantially engaged in the manufacturing, distribution, or provision of products or services that are inconsistent with the teachings of the Roman Catholic Church. No minimum performance yields have been established; however, the Diocese measures performance of fund managers within specified benchmarks. Performance is reviewed quarterly by both the Diocesan Investment Committee and the Diocesan Finance Council.

NOTE 13 ENDOWMENT (CONTINUED)

Spending Policy

The Diocese has a spending policy to determine the endowment distribution each year. In establishing this policy, the Diocese considers the long-term expected return on its endowment net of investment fees, inflation, and administrative fees. The Diocese's goal is to provide sustainable funding to Diocesan programs in perpetuity.

NOTE 14 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available for future periods are as follows at June 30:

	2014	2013
Retained Life Interest	$ 152,513	$ 141,806

During the years ended June 30, 2014 and 2013, net assets were released from donor restrictions totaling $-0- and $2,032,958, respectively, by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

NOTE 15 SELF-INSURANCE PROGRAMS

The Diocese and certain other Roman Catholic dioceses in the State of Florida participate in their own self-insurance programs to provide coverage for property, workers' compensation, general liability, and certain other claims. A "first sharing agreement" enables each participating diocese to share each other's losses. Each diocese is allocated a sharing limit which represents the maximum amount of losses a diocese will be responsible for in any one year. For the policy years beginning April 1, 2014 and 2013, the Diocese's allocated sharing limit is $601,229 and $600,495, respectively. The Diocese is responsible for the losses incurred up to the amount of its allocated sharing limit. The other participating dioceses share in the remaining losses in proportion to their share of the total agreement. If the sharing limit for all participating dioceses in a certain claim year is exhausted, the Diocese is responsible for its losses in excess of its assigned proportion.

Reinsurance coverage cannot be obtained for certain liability risks. The Diocese participates in a "second loss sharing agreement" with certain other Roman Catholic dioceses within the State of Florida wherein the Diocese is liable to share in claims up to the amount equal to an allocated sharing limit for the policy year. For the policy years beginning April 1, 2014 and 2013, the Diocese of Venice's portion of the assigned allocated sharing limit is $195,078 and $169,495, respectively. The Diocese is responsible for the losses incurred up to the amount of its allocated sharing limit requirement. The other participating dioceses share in the remaining losses in proportion to their share of the total agreement.

NOTE 15 SELF-INSURANCE PROGRAMS (CONTINUED)

If the sharing limit for all participating dioceses in a certain claim year is exhausted, the Diocese is responsible for its losses in excess of its assigned proportion.

The Diocese and certain other dioceses within the State of Florida are members of the Bishop's Plan Insurance Company (BPIC), an insurance captive, to provide excess coverage for property damage and workers' compensation claims. Membership in BPIC requires each member to purchase insurance as a condition of membership. Accordingly, the Diocese purchases insurance coverage required for membership.

All eligible employees of the Diocese and all Diocesan entities are offered health and dental insurance benefits through a self-insured plan. All entities are charged a premium estimated to meet the employer portion of the coverage provided.

NOTE 16 RELATED PARTIES

In addition to the other Diocesan entities described in Note 1, there are certain entities that are not included in the financial statements in which the Diocese has financial responsibility.

During the year ended June 30, 2013, the Diocese purchased 102 acres in Sarasota adjacent to the National Cemetery for approximately $2,800,000 on behalf of All Saints Catholic Cemetery, Inc (ASCC), related through common management and control. This purchase was in response to a growing desire of Catholics in the Sarasota area to be buried in a Catholic cemetery. The Diocese loaned funds and entered into a loan agreement with ASCC, as described in Note 5. The amount due from ASCC totaled $3,244,475 and $3,109,851 at June 30, 2014 and 2013, respectively.

At June 30, 2014 and 2013, the Catholic Community Foundation of Southwest Florida, Inc. owed the Diocese $600,000 at each year-end.

During the years ended June 30, 2014 and 2013, the Diocese received support from parishes in the form of Diocesan assessments of approximately $11,400,000 and $10,900,000, respectively.

NOTE 17 GAAP DEPARTURE

All Saints Catholic Cemetery, Inc. (ASCC) was incorporated during the year ended June 30, 2013. ASCC has three voting members: the Bishop, the Vicar General, and the Chancellor of the Diocese. Although ASCC is a separate legal corporation, accounting principles generally accepted in the United States of America require that an entity such as ASCC be included in the financial statements of the Diocese of Venice in Florida, Inc. If ASCC had been included in the combined financial statements of the Diocese at June 30, 2014, total land, buildings, and equipment would have increased $3,002,873; mortgages and other notes receivable would have decreased $3,244,475; interest revenue would have decreased $147,124; and total net assets – end of year would have decreased $242,002. If ASCC had been included in the combined financial statements of the Diocese at June 30, 2013, total land, buildings, and equipment would have increased $3,002,873; mortgages and other notes receivable would have decreased $3,109,851; interest revenue would have decreased $106,977; and total net assets – end of year would have decreased $106,977.

NOTE 18 COMMITMENTS AND CONTINGENCIES

The Diocese is involved in various asserted claims arising in the ordinary course of operations. In addition, the Diocese has consulted with legal counsel with respect to certain asserted and unasserted claims. In the opinion of management, the Diocese has made adequate provision for losses, if any, and while the ultimate result of these claims cannot be predicted with certainty, management believes the final outcome will not have a materially adverse effect on the Diocese's financial position.

At June 30, 2014 and 2013, the Diocese is contingently liable for a letter of credit in the amount of $447,560 placed with a financial institution, as required by Florida Power & Light. The letter of credit has a maturity date of June 4, 2015 and can be automatically extended for up to one year from that date.