

**DIOCESE OF VENICE IN FLORIDA, INC.
COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**



CLAconnect.com

**WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING**

**DIOCESE OF VENICE IN FLORIDA, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
COMBINED FINANCIAL STATEMENTS	
COMBINED STATEMENTS OF FINANCIAL POSITION	3
COMBINED STATEMENTS OF ACTIVITIES	4
COMBINED STATEMENT OF FUNCTIONAL EXPENSES	6
COMBINED STATEMENTS OF CASH FLOWS	7
NOTES TO COMBINED FINANCIAL STATEMENTS	8



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, 2019 and 2018, and the related combined statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended June 30, 2019, and the related notes to the combined 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.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Venice in Florida, Inc., as of June 30, 2019 and 2018, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Fort Myers, Florida
November 6, 2019

DIOCESE OF VENICE IN FLORIDA, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS	2019	2018
Cash and Cash Equivalents	\$ 21,296,974	\$ 20,536,175
Accounts Receivable, Net	5,524,438	7,361,931
Investments (Parishes and Diocesan)	93,764,534	103,861,522
Loans Receivable from Diocesan Entities, Net	32,973,759	28,639,301
Notes Receivable	2,164,626	1,335,295
Land, Buildings, and Equipment, Net	9,104,453	9,264,454
Other Assets	2,616,855	2,017,165
Land Held for Future Expansion	47,293,684	43,698,111
Total Assets	\$ 214,739,323	\$ 216,713,954
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,634,747	\$ 2,529,378
Insurance Claims Payable	969,688	1,504,788
Savings on Deposit from Diocesan Entities	77,731,305	85,143,274
Deferred Revenue	15,400,516	13,661,285
Funds Held for Others	3,541,160	4,126,572
Other Liabilities	250,382	1,556,007
Notes Payable	4,359,527	-
Total Liabilities	104,887,325	108,521,304
NET ASSETS		
Without Donor Restrictions:		
Designated for Outreach	474,415	477,485
Designated Endowment	5,923,308	5,655,582
Designated for Land, Buildings, and Equipment	9,104,453	9,264,454
Designated for Future Expansion	46,828,962	43,488,501
Undesignated	45,635,567	47,421,335
Total Without Donor Restrictions	107,966,705	106,307,357
With Donor Restrictions:		
Purpose Restrictions	285,293	285,293
Endowment Fund	1,600,000	1,600,000
Total With Donor Restrictions	1,885,293	1,885,293
Total Net Assets	109,851,998	108,192,650
Total Liabilities and Net Assets	\$ 214,739,323	\$ 216,713,954

See accompanying Notes to Combined Financial Statements.

**DIOCESE OF VENICE IN FLORIDA, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Support and Revenues:			
Parish Assessment/Catholic Faith Appeal	\$ 12,721,631	\$ -	\$ 12,721,631
Program Revenue	17,015,453	-	17,015,453
Contributions	791,503	-	791,503
Investment Return	3,342,414	-	3,342,414
Loan Interest	1,315,442	-	1,315,442
Property Program	93,165	-	93,165
Total Support and Revenues	<u>35,279,608</u>	<u>-</u>	<u>35,279,608</u>
Net Assets Released from Restrictions	-	-	-
Total Support and Revenues	<u>35,279,608</u>	<u>-</u>	<u>35,279,608</u>
Expenses:			
Program Services:			
Outreach Programs and Faith Formation	3,327,041	-	3,327,041
Mission and Apostolate Support	4,569,622	-	4,569,622
Catholic School Support	1,971,006	-	1,971,006
Vocations and Clergy Formation	1,162,181	-	1,162,181
Insurance Programs	15,018,811	-	15,018,811
Savings and Loan Program	1,850,477	-	1,850,477
Property Program	189,291	-	189,291
Total Program Service Expenses	<u>28,088,429</u>	<u>-</u>	<u>28,088,429</u>
Support Services:			
Temporal Services	4,956,175	-	4,956,175
Stewardship and Development	575,656	-	575,656
Total Support Service Expenses	<u>5,531,831</u>	<u>-</u>	<u>5,531,831</u>
Total Expenses	<u>33,620,260</u>	<u>-</u>	<u>33,620,260</u>
CHANGE IN NET ASSETS	1,659,348	-	1,659,348
Net Assets - Beginning of Year	<u>106,307,357</u>	<u>1,885,293</u>	<u>108,192,650</u>
NET ASSETS - END OF YEAR	<u>\$ 107,966,705</u>	<u>\$ 1,885,293</u>	<u>\$ 109,851,998</u>

See accompanying Notes to Combined Financial Statements.

**DIOCESE OF VENICE IN FLORIDA, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Support and Revenues:			
Parish Assessment/Catholic Faith Appeal	\$ 12,522,011	\$ -	\$ 12,522,011
Program Revenue	16,017,253	-	16,017,253
Contributions	315,363	-	315,363
Change in Value of Gift Annuities	(2,183)	-	(2,183)
Investment Return	4,221,244	-	4,221,244
Loan Interest	1,064,566	-	1,064,566
Miscellaneous	69,559	-	69,559
Property Program	178,678	-	178,678
Total Support and Revenues	34,386,491	-	34,386,491
Net Assets Released from Restrictions	-	-	-
Total Support and Revenues	34,386,491	-	34,386,491
Expenses:			
Program Services:			
Outreach Programs and Faith Formation	3,390,548	-	3,390,548
Mission and Apostolate Support	3,551,478	-	3,551,478
Catholic School Support	1,770,674	-	1,770,674
Vocations and Clergy Formation	1,029,508	-	1,029,508
Insurance Programs	14,383,565	-	14,383,565
Savings and Loan Program	1,190,649	-	1,190,649
Property Program	747,431	-	747,431
Total Program Service Expenses	26,063,853	-	26,063,853
Support Services:			
Temporal Services	3,736,401	-	3,736,401
Stewardship and Development	453,151	-	453,151
Total Support Service Expenses	4,189,552	-	4,189,552
Total Expenses	30,253,405	-	30,253,405
CHANGE IN NET ASSETS	4,133,086	-	4,133,086
Net Assets - Beginning of Year	102,174,271	1,885,293	104,059,564
NET ASSETS - END OF YEAR	\$ 106,307,357	\$ 1,885,293	\$ 108,192,650

See accompanying Notes to Combined Financial Statements.

DIOCESE OF VENICE IN FLORIDA, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2018

	Program Activities							Supporting Activities			2018 Total Expenses	
	Outreach Programs and Faith Formation	Mission and Apostolate Support	Catholic School Support	Vocations and Clergy Formation	Insurance Programs	Savings and Loan Program	Property Program	Total Program	Temporal Services	Fund- Raising		Total Expenses
Personnel Costs	\$ 1,329,515	\$ 571,571	\$ -	\$ 332,279	\$ -	\$ -	\$ -	\$ 2,233,365	\$ 2,974,617	\$ 222,399	\$ 5,430,381	\$ 5,179,787
Management Fees	36,749	-	-	-	-	-	-	36,749	-	-	36,749	82,550
Professional Fees	382,511	(600)	-	8,504	720,738	-	-	1,111,153	371,106	33,346	1,515,605	1,131,188
Occupancy	335,768	212,636	-	17,641	-	-	189,291	755,336	642,955	57,115	1,455,406	1,481,174
Travel	101,905	932	-	4,821	3,708	-	-	111,366	34,337	3,077	148,780	140,829
Conferences	639,391	46,720	-	95,277	2,492	-	-	783,880	38,896	42,343	865,119	516,404
Grants and Assistance	42,204	93,752	-	682,608	-	-	-	818,564	1,599	-	820,163	791,346
Payments to Affiliates	319,760	3,632,812	1,971,006	17,217	-	-	-	5,940,795	296,388	-	6,237,183	4,813,314
Office Expense	86,184	8,909	-	1,855	1,025	-	-	97,973	191,138	30,618	319,729	638,556
Other Expenses	16,309	2,890	-	75	152,591	-	-	171,865	76,806	58	248,729	75,159
Advertising and Promotion	36,745	-	-	1,904	-	-	-	38,649	2,122	186,700	227,471	162,597
Interest Expense	-	-	-	-	26,551	1,799,241	-	1,825,792	182,115	-	2,007,907	2,120,620
Insurance Administrative	-	-	-	-	934,773	-	-	934,773	-	-	934,773	1,480,454
Insurance Premiums	-	-	-	-	3,809,422	-	-	3,809,422	-	-	3,809,422	3,360,120
Insurance Claims Expense	-	-	-	-	9,367,511	-	-	9,367,511	-	-	9,367,511	9,196,449
Doubtful Accounts	-	-	-	-	-	51,236	-	51,236	144,096	-	195,332	(917,142)
Total	\$ 3,327,041	\$ 4,569,622	\$ 1,971,006	\$ 1,162,181	\$ 15,018,811	\$ 1,850,477	\$ 189,291	\$ 28,088,429	\$ 4,956,175	\$ 575,656	\$ 33,620,260	\$ 30,253,405

See accompanying Notes to Combined Financial Statements.

**DIOCESE OF VENICE IN FLORIDA, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,659,348	\$ 4,133,086
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	294,307	288,765
Provision for Doubtful Accounts, Net of Recoveries	195,332	(917,142)
Net Realized and Unrealized (Gains) Losses on Investments	(1,541,811)	(2,432,579)
Gain on Sale of Land Held for Future Expansion	-	(81,461)
(Increase) Decrease in:		
Accounts Receivable	1,693,397	(3,907,753)
Accrued Interest Receivable	(262,204)	(215,831)
Other Assets	(599,690)	(341,459)
Accrued Interest on Notes Receivable	(43,975)	(21,267)
Increase (Decrease) in:		
Accounts Payable and Other Liabilities	105,369	853,131
Insurance Claims Payable	(535,100)	550,395
Deferred Revenue	1,739,231	(206,372)
Funds Held for Others	(585,412)	551,869
Other Liabilities	(1,305,625)	137,562
Net Cash Provided (Used) by Operating Activities	716,628	(1,609,056)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(134,306)	(83,962)
Proceeds from Sales of Land Held for Future Expansion	-	3,356,643
Net (Increase) Decrease in Loans Receivable	(4,123,490)	(2,558,654)
Purchases of Land Held for Future Expansion	(3,595,573)	(5,455,728)
Loans Made to Diocesan Entities	(838,678)	(750,379)
Collections on Notes Receivable	53,322	2,261,407
Proceeds from Sales and Maturities of Investments	64,441,950	4,932,799
Purchase of Investments	(52,706,612)	(5,715,543)
Net Cash Provided (Used) by Investing Activities	3,096,613	(4,013,417)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase (Decrease) in Savings on Deposit	(7,411,969)	(2,606,696)
Payments on Mortgage Notes Payable	4,359,527	(2,246,867)
Net Cash Used by Financing Activities	(3,052,442)	(4,853,563)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	760,799	(10,476,036)
Cash and Cash Equivalents - Beginning of Year	20,536,175	31,012,211
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 21,296,974	\$ 20,536,175
SUPPLEMENTAL DISCLOSURES		
Cash Paid for Interest	\$ 2,007,907	\$ 2,120,620

See accompanying Notes to Combined Financial Statements.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 10 counties of southwest Florida. The Chancery offices of the Diocese conduct business through the Diocese of Venice in Florida, Inc. (the Catholic Center), 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 Catholic Center'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 geographical Diocese of Venice are separately incorporated as nonprofit corporations under the laws of the state of Florida. The Catholic Center 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 Catholic Center.

The Most Reverend Frank J. Dewane, in his capacity as Bishop, holds title to 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 Catholic Center are included in the accompanying combined financial statements.

The assets, liabilities, net assets, revenues, and expenses of the Employee Benefits Trust are included in the accompanying combined financial statements. The purpose of the Employee Benefits Trust is to hold in trust funds received from Diocesan entities within the Diocese of Venice in Florida, Inc. to be pooled for employee benefit programs. This program is governed by trustees and administered by the Catholic Center.

The assets, liabilities, net assets, revenues, and expenses of the Insurance Trust are included in the accompanying combined financial statements. The purpose of the Insurance Trust is to hold in trust funds received from Diocesan entities within the Diocese of Venice in Florida, Inc. to be used to provide insurance coverage, insuring such entities from for liabilities and risks of loss. This program is governed by trustees and administered by the Catholic Center.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Organization (Continued)

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 Catholic Center. 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.

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 Catholic Center 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 All Saints Catholic Cemetery, Inc. are included in the accompanying combined financial statements. Its current purpose is to hold and manage real property for a future Catholic cemetery in Sarasota, Florida.

The Catholic Center 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 Catholic Center as a whole. Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Catholic Center and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Included herein are net assets designated for specific programs based upon the nature and types of programs. Such designations are subject to change.

With Donor Restrictions – Those resources subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Cash and Cash Equivalents

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

The Catholic Center 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 Catholic Center 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, 2019 and 2018.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings, and Equipment, Net

All land, buildings, and equipment of the Catholic Center 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 3 to 40 years. All land, buildings, and equipment are capitalized unless the asset has a value less than \$5,000 in which case it is expensed in the period incurred.

Land Held for Future Expansion

The Catholic Center 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, 2019 and 2018, the Catholic Center had \$76,391 and \$78,720, respectively, of deferred revenue related to real estate sales recorded under the installment method of revenue recognition. This deferred revenue is related to property sales in which the Catholic Center has accepted a note receivable as payment, and will be recorded to revenue as cash is received.

Split-Interest Agreements

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

Annuity Obligations

The Catholic Center is obligated under charitable gift annuity agreements. The obligations were calculated based on actuarial assumptions and the fair values at the dates of receipt. The Catholic Center has recorded a gift annuity obligation equal to the present value of the total anticipated future payments to the beneficiaries. Gains or losses resulting from changes in actuarial assumptions are included in change in value of gift annuities on the combined statements of activities.

Donated Materials and Services

Donated materials are recorded as contributions at their estimated fair value at the date of receipt. The Catholic Center 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, 2019 and 2018. Many volunteers have donated their time to Diocesan program services and administrative functions performing tasks that do not require specialized skills.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 combined statements of activities as net assets released from restrictions.

Parish assessments primarily fund the various outreach programs of the Catholic Center. Assessments are based on a standard formula, which is largely based on parish offertory income. The assessment goals are issued to parishes each January for the fiscal year starting in July. All receipts received after the goal is issued and prior to the start of the fiscal year are recorded as deferred revenue.

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.

All land sales to parishes are recorded under the installment method which apportions each cash receipt and principal payment by the buyer on debt assumed between cost recovered and profit. The apportionment is in the same ratio as total cost and total profit bear to the sales value.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value Measurement of Investments and Annuity Obligations

The Catholic Center 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 Catholic Center has the ability to access.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement of Investments and Annuity Obligations (Continued)

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 Catholic Center 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 Catholic Center 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.

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.

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 of Venice in Florida 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.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform with the 2019 presentation. These reclassifications do not affect net assets as previously reported.

Subsequent Events

In preparing these financial statements, the Catholic Center has evaluated events and transactions for potential recognition or disclosure through November 6, 2019, the date the financial statements were available to be issued.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Change in Accounting Principle

The Diocese adopted Financial Accounting Standards Board (FASB) ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* in fiscal year 2019. These changes were applied retrospectively to ensure comparability with the prior year presented herein. The adoption did not impact the Diocese's financial position as of June 30, 2019 and 2018 or the changes in its net assets, functional expenses, or cash flows for the years then ended.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Catholic Center regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Catholic Center has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and lines of credit. See Note 9 for information about the Catholic Center's line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Catholic Center considers all expenditures related to its ongoing activities as described in Note 1 to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Catholic Center operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The table below presents financial assets available for general expenditures within one year at June 30, 2019:

Financial Assets at Year-End:	
Cash and Cash Equivalents	\$ 21,296,974
Accounts Receivable, Net	5,524,438
Investments	93,764,534
Loans Receivable	32,973,759
Notes Receivable	<u>2,164,626</u>
Total Financial Assets	<u>155,724,331</u>
Less Amounts Not Available to be Used Within One Year:	
Cash Held In Trust	17,677,692
Investments Held In Trust	39,763,022
Accounts Receivable Held in Trust	5,324,658
Loans Receivable Held in Trust	32,973,759
Due on Note Payable	4,359,527
Funds Held for Others	3,541,160
Net Assets with Donor Restrictions	1,885,293
Net Assets Designated by Board Programs	474,415
Designated Investments Operating as Endowments	<u>5,923,308</u>
Financial Assets not Available to be Used Within One Year	<u>111,922,834</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 43,801,497</u>

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Insurance Premiums	\$ 4,235,895	\$ 6,221,127
Other Receivables	503,392	460,681
Employee Benefit Premiums	1,088,763	839,639
Allowance for Doubtful Accounts	<u>(303,612)</u>	<u>(159,516)</u>
Accounts Receivable, Net	<u>\$ 5,524,438</u>	<u>\$ 7,361,931</u>

During the years ended June 30, 2019 and 2018, doubtful accounts expense was recorded totaling \$144,096 and \$12,829, respectively.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 INVESTMENTS

Investments consist of the following at June 30:

	2019	
	<u>Market Value</u>	<u>Cost</u>
Domestic Equities	\$ 32,404,731	\$ 25,469,106
Foreign Equities	13,611,128	12,450,838
Corporate Bonds	8,401,916	8,237,088
Government Bonds	19,331,506	18,999,682
Government Backed Securities	314,648	313,923
Mortgage Backed Securities	3,507,019	3,423,888
Certificates of Deposit	16,113,594	16,018,000
Exchange Traded Funds	79,992	47,295
Total Investments	<u>\$ 93,764,534</u>	<u>\$ 84,959,820</u>

	2018	
	<u>Market Value</u>	<u>Cost</u>
Domestic Equities	\$ 27,398,413	\$ 20,003,702
Foreign Equities	19,233,948	17,521,836
Corporate Bonds	10,852,110	10,832,454
Government Bonds	10,937,103	10,974,340
Government Backed Securities	121,643	122,151
Mortgage Backed Securities	3,431,973	3,463,999
Certificates of Deposit	28,812,315	28,952,000
Exchange Traded Funds	3,074,017	3,111,609
Total Investments	<u>\$ 103,861,522</u>	<u>\$ 94,982,091</u>

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

	2019	2018
Interest and Dividends	\$ 2,311,189	\$ 2,135,881
Realized Gains (Losses), Net	1,562,991	3,241,770
Unrealized Gains (Losses), Net	(225,092)	(809,191)
Management Fees	(306,674)	(347,216)
Total Investment Return	<u>\$ 3,342,414</u>	<u>\$ 4,221,244</u>

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 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, 2019 and 2018, doubtful loans expense (recovery) was recorded totaling \$51,236 and \$(929,971), respectively.

Loans receivable due from parishes generally bear interest at a variable rate which was 4.75% at June 30, 2019 and 2018, and are due over periods ranging from 1 to 10 years. Total interest income associated with these loans for the years ended June 30, 2019 and 2018 was \$1,239,506 and \$1,064,566, respectively. At June 30, 2019 and 2018, loans receivable included accrued interest receivable totaling \$2,719,415 and \$2,457,211, respectively, and are due as follows:

	2019	2018
Loans Receivable - Current Year	\$ 2,772,346	\$ 1,317,727
Loans Receivable - Greater than One Year	39,581,319	36,650,245
Estimate of Doubtful Loans Receivable	(9,379,906)	(9,328,670)
Total Loans Receivable	\$ 32,973,759	\$ 28,639,302

Savings on deposit from Diocesan entities totaled \$77,731,305 and \$85,143,274 at June 30, 2019 and 2018, respectively, and bear interest at a variable rate which was 2.75% at June 30, 2019 and 2018. Interest expense on such deposits totaled \$1,807,977 and \$2,054,384 during the years ended June 30, 2019 and 2018, respectively. The Savings & Loan Trust pooled investments portfolio had a market value of \$11,799,980 and \$11,504,258 at June 30, 2019 and 2018, respectively. Depositors who invest funds in this portfolio are regularly allocated a share of total investment returns in proportion to their investment in the portfolio. The return on investment for the period ending June 30, 2019 and 2018 was 4.16% and 8.15%, respectively.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6 NOTES RECEIVABLE

Notes receivable are summarized as follows at June 30:

<u>Description</u>	<u>2019</u>	<u>2018</u>
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, 2023.	\$ 200,000	\$ 200,000
Promissory Note Line of Credit from Ave Maria Parish, \$2,500,000 Available, Interest Accruing at 3.0%, Interest Only Payments Commencing January 2017 and Payable Thereafter Annually, any Unpaid Interest and Principal due in full at Maturity Date, January 17, 2020.	1,813,415	1,063,037
Other	<u>151,211</u>	<u>72,257</u>
Total Mortgages and Other Notes Receivable	<u>\$ 2,164,626</u>	<u>\$ 1,335,294</u>

A summary of the scheduled principal collections of notes receivable is as follows at June 30, 2019:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 1,933,960
2021	17,632
2022	13,034
2023	200,000
2024	-
Thereafter	-
Total	<u>\$ 2,164,626</u>

NOTE 7 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 4,401,630	\$ 4,401,630
Equipment	682,242	659,243
Buildings and Improvements	<u>9,795,536</u>	<u>9,684,229</u>
Total	14,879,408	14,745,102
Less: Accumulated Depreciation	<u>(5,774,955)</u>	<u>(5,480,648)</u>
Total Land, Buildings, and Equipment	<u>\$ 9,104,453</u>	<u>\$ 9,264,454</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$294,307 and \$288,765, respectively.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 LAND HELD FOR FUTURE EXPANSION

Land held for future expansion totals \$47,293,684 and \$43,698,111 at June 30, 2019 and 2018, 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 9 LINE OF CREDIT

The Catholic Center 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 (2.40% and 2.42% at June 30, 2019 and 2018, respectively) plus 1.25% and is payable monthly. The line of credit is collateralized by business assets of the Catholic Center. The total outstanding amount of this line of credit at June 30, 2019 and 2018 was \$4,359,527 and \$-0-, respectively.

The line of credit contains 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 or entity without the prior consent of the financial institution. During the year ended June 30, 2019, the Catholic Center had outstanding loans to priests and other individuals totaling approximately \$53,000 and a loan to an entity of approximately \$1,813,000 without the prior required consent of the financial institution. The financial institution has waived these instances of noncompliance with the agreement as of June 30, 2019.

NOTE 10 ANNUITY OBLIGATIONS

The Catholic Center has received funds for gift annuities. The annuity agreements provide that the Catholic Center will pay annuitants an amount each year based on the established life expectancy of the donor. The recorded annuity obligation at June 30, 2019 and 2018 of \$394,556 and \$405,066, respectively, represents the present value of future cash flows expected to be paid to the donors, and is included in other liabilities on the combined statement of financial position. Payments to beneficiaries for the years ended June 30, 2019 and 2018 totaled \$55,253 and \$371,473, respectively.

Additionally, the Catholic Center has received funds for gift annuities in which the ultimate beneficiaries are third parties other than the Catholic Center. The total estimated amounts owed to others related to these annuity obligations total \$250,112 and \$250,112 at June 30, 2019 and 2018, respectively.

State statutes require that assets equal to the sum of the outstanding annuity agreements, and a surplus of 10% of that amount, be maintained as a reserve in a separate fund. As of June 30, 2019 and 2018, the Catholic Center is in compliance with the state statutes.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 11 FAIR VALUE MEASUREMENTS

The Catholic Center 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 Catholic Center measures fair value, refer to Note 1 – Summary of Significant Accounting Policies.

The following tables present the fair value hierarchy for the balances of the assets and liabilities of the Catholic Center measured at fair value on a recurring basis as of June 30:

	2019			Total
	Level 1	Level 2	Level 3	
Investments:				
Domestic Equities	\$ 32,404,731	\$ -	\$ -	\$ 32,404,731
Foreign Equities	13,611,128	-	-	13,611,128
Corporate Bonds	-	8,401,916	-	8,401,916
Government Bonds	-	19,331,506	-	19,331,506
Government Backed Securities	-	314,648	-	314,648
Mortgage Backed Securities	-	3,507,019	-	3,507,019
Certificates of Deposit	-	16,113,594	-	16,113,594
Exchange Traded Funds	79,992	-	-	79,992
Total Investments	<u>\$ 46,095,851</u>	<u>\$ 47,668,683</u>	<u>\$ -</u>	<u>\$ 93,764,534</u>

Liabilities:				
Annuity Obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 644,668</u>	<u>\$ 644,668</u>

	2018			Total
	Level 1	Level 2	Level 3	
Investments:				
Domestic Equities	\$ 27,398,413	\$ -	\$ -	\$ 27,398,413
Foreign Equities	19,233,948	-	-	19,233,948
Corporate Bonds	-	10,852,110	-	10,852,110
Government Bonds	-	10,937,103	-	10,937,103
Government Backed Securities	-	121,643	-	121,643
Mortgage Backed Securities	-	3,431,973	-	3,431,973
Certificates of Deposit	-	28,812,315	-	28,812,315
Exchange Traded Funds	3,074,017	-	-	3,074,017
Total Investments	<u>\$ 49,706,378</u>	<u>\$ 54,155,144</u>	<u>\$ -</u>	<u>\$ 103,861,522</u>

Liabilities:				
Annuity Obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 655,178</u>	<u>\$ 655,178</u>

**DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth a summary of changes in the fair value of the Catholic Center Level 3 liabilities for the years ended June 30, 2019 and 2018:

Level 3 Annuity Obligations:	
Balance - July 1, 2017	\$ 1,028,834
Payments Made to Beneficiaries	(371,473)
Change in Fair Value of Annuity Obligations	<u>(2,183)</u>
Balance - June 30, 2018	655,178
Payments Made to Beneficiaries	(55,253)
Additions	46,213
Change in Fair Value of Annuity Obligations	<u>(1,470)</u>
Balance - June 30, 2019	<u><u>\$ 644,668</u></u>

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 remainder factors.

NOTE 12 EMPLOYEE RETIREMENT PLANS

The Catholic Center makes contributions to a multiemployer defined benefit Pension Plan and a 403(b) Plan through the Diocese of Venice Retirement Program Trust. The Plans cover eligible employees from Diocesan institutions, such as parishes and schools, which as noted in Note 1, are not combined with the Chancery Office for financial reporting purposes.

The Pension Plan is a noncontributory defined benefit pension plan established July 1, 2012 by a spin-off from the Seventh Amended and Restated Pension Plan for Employees within the Archdiocese of Miami/Diocese of Venice (Prior Plan). The Pension Plan is a qualified plan and is exempt from income taxes under the provisions of the Internal Revenue Code (IRC). The Pension Plan is a "Church Plan" as defined in Section 414(e) of the IRC and is exempt from Title I of the Employee retirement Income Security Act of 1974 (ERISA), as amended. The Pension Plan was most recently amended effective July 21, 2017.

The Pension Plan covers all members in the Prior Plan who are designated as Transferred members immediately prior to July 1, 2012. All other eligible employees of the Diocese of Venice, as defined by the Pension Plan, were able to commence participation immediately or upon their subsequent employment, appointment, assignment, re-employment, reappointment, or reassignment. Effective July 1, 2014, the Pension Plan was frozen with regard to participation of certain Lay employees based on their years of service and no Lay employee hired on or after July 1, 2014 is eligible to participate in the Pension Plan.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT PLANS (CONTINUED)

The following table discloses quantitative information of the Pension Plan as of and for the year ended February 1, 2019, which is the date of the latest actuarial valuation.

Legal Name and Plan Number	Plan EIN	Actuarial Present Value of Accumulated Plan Benefits	Fair Value of Plan Assets	Total Contributions	Long-Term Funded Status
Diocese of Venice Pension Plan & Trust, Number 001	45-6947361	\$ 118,474,488	\$ 104,767,890	\$ 3,494,085	88%

Effective July 1, 2014, the Diocese of Venice adopted an Internal Revenue Code 403(b) retirement savings plan for substantially all employees of the Catholic Center and Diocesan entities. Contributions to the 403(b) plan are made by employees through salary deferrals as well as by the Catholic Center in both a noncontributory and matching component. The plan is exempt from the reporting requirements of ERISA.

The Catholic Center's contribution to both the pension and 403(b) plans is a fixed amount per priest and a percentage of qualified salaries for Lay employees established by the trustees of the Plan. The Catholic Center's contributions to the plans for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Employer Contributions	<u>\$ 424,941</u>	<u>\$ 396,841</u>

NOTE 13 OTHER EMPLOYEE BENEFITS

The Catholic Center provides postemployment health and other insurance coverage benefits to certain retired clergy. The Catholic Center is required to disclose the over or under funded status of a defined benefit postemployment plan and changes in the funding in the year in which the change occurs in unrestricted net assets. At June 30, 2019 and 2018, the postemployment obligation of the Catholic Center of approximately \$4,500,000 and \$3,900,000, respectively, is unfunded and calculated using the IRS life expectancy tables with a 3.54% and 4.20% discount rate, respectively. These obligations are based on the list of priests who are assigned to the Catholic Center 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 Catholic Center estimates postemployment health and other insurance benefit payments will be approximately \$126,000, \$136,000, \$148,000, \$159,000, and \$171,000 for next five years, and approximately \$1,003,000 in the aggregate for the five fiscal years thereafter.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 14 ENDOWMENT

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

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 1,600,000	\$ 1,600,000
Designated Endowment Funds	6,084,068	-	6,084,068
Total Endowment Funds	\$ 6,084,068	\$ 1,600,000	\$ 7,684,068
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 1,600,000	\$ 1,600,000
Designated Endowment Funds	5,655,582	-	5,655,582
Total Endowment Funds	\$ 5,655,582	\$ 1,600,000	\$ 7,255,582

The Catholic Center'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 Catholic Center 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 Catholic Center 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 Catholic Center considers all earnings on endowment funds to be available for current year operations.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 14 ENDOWMENT (CONTINUED)

Endowment net asset composition by fund type as of June 30, 2019 and 2018 and during the years then ended is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - July 1, 2017	\$ 5,262,309	\$ 1,600,000	\$ 6,862,309
Investment Return:			
Investment Income	135,987	-	135,987
Net Realized and Unrealized Losses	257,286	-	257,286
Total Investment Return	<u>393,273</u>	<u>-</u>	<u>393,273</u>
Contributions	-	-	-
Appropriations of Endowment Assets for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets - June 30, 2018	5,655,582	1,600,000	7,255,582
Investment Return:			
Investment Income	307,053	-	307,053
Net Realized and Unrealized Losses	121,433	-	121,433
Total Investment Return	<u>428,486</u>	<u>-</u>	<u>428,486</u>
Contributions	-	-	-
Appropriations of Endowment Assets for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets - June 30, 2019	<u>\$ 6,084,068</u>	<u>\$ 1,600,000</u>	<u>\$ 7,684,068</u>

The Catholic Center 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% to 7% over a 20-year time horizon. The Catholic Center 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 Catholic Center measures performance of fund managers within specified benchmarks. Performance is reviewed quarterly by both the Diocesan Investment Committee and the Diocesan Finance Council.

**DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 14 ENDOWMENT (CONTINUED)

Spending Policy

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

NOTE 15 PURPOSE RESTRICTIONS

Net assets with donor restrictions are restricted for the following purpose at June 30:

	2019	2018
Elder Care	\$ 285,293	\$ 285,293

NOTE 16 SELF-INSURANCE PROGRAMS

The Diocese of Venice and certain other Roman Catholic dioceses in the state of Florida participates 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 retain in any one year. For the policy years beginning April 1, 2019 and 2018, the Diocese of Venice’s allocated sharing limit is \$874,071 and \$850,101, respectively. The Diocese of Venice retains 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, not to exceed their own respective limits. If the sharing limit for all participating dioceses in a certain claim year is exhausted, the Diocese of Venice retains losses in excess of its assigned proportion.

The Diocese of Venice 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 of Venice purchases insurance coverage required for membership.

All eligible employees of the Catholic Center and all Diocesan entities are offered health and dental insurance benefits through a self-insured plan. All entities are charged a premium estimated to cover the costs of the plan.

DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 17 RELATED PARTIES

The Savings & Loan Trust has loans receivable from and savings on deposit payable to Diocesan entities as more fully described in Note 5. In addition to the other Diocesan entities discussed in Note 1, there are certain entities that are not included in the financial statements in which the Catholic Center has an economic interest. At June 30, 2019 and 2018, the Catholic Community Foundation of Southwest Florida, Inc. owed the Savings and Loan Trust Fund \$650,000. During the years ended June 30, 2019 and 2018, the Catholic Center received support from parishes in the form of Diocesan assessments of approximately \$12,700,000 and \$12,600,000, respectively, and provided support to Diocesan entities in the form of subsidies in the amounts of \$6,376,587 and \$5,281,438, at June 30, 2019 and 2018, respectively. In addition, entities supported by the Catholic Center and other Florida dioceses are; the Regional Seminary of St. Vincent de Paul in Florida, Inc. a seminary for the education and development of candidates for priesthood; the Florida Catholic Newspaper, a Catholic newspaper; Florida Conference of Catholic Bishops, Inc. a liaison to state government on matters of concern to the Catholic Church in Florida; and the Florida Catholic Conference, Inc. a communications corporation engaged in the promotion of health, education and welfare issues that are of central importance to Florida dioceses. The Catholic Center and other Florida dioceses provide support to each of these entities in the form of tuition, quotas, operating subsidies and capital contributions. Total payments made for the aforementioned purposes during the year by the Catholic Center to these entities were \$705,535, \$3,446, \$75,209, and \$68,279, respectively.

NOTE 18 COMMITMENTS AND CONTINGENCIES

The Catholic Center is involved in various asserted claims arising in the ordinary course of operations. In addition, the Catholic Center has consulted with legal counsel with respect to certain asserted and unasserted claims. In the opinion of management, the Catholic Center 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 Catholic Center's financial position.

At June 30, 2019 and 2018, the Catholic Center 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, 2020, and can be automatically extended for up to one year from that date.

