

DIOCESE OF PALM BEACH, INC.
REPORT ON AUDITS OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

DIOCESE OF PALM BEACH, INC.

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Report of Independent Auditors

To the Most Reverend Gerald M. Barbarito
Bishop of the Diocese of Palm Beach
Diocese of Palm Beach, Inc.
Palm Beach Gardens, Florida

We have audited the accompanying financial statements of Diocese of Palm Beach, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Diocese's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diocese of Palm Beach, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matter

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis of the financial statements and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Templeton & Company, LLP

West Palm Beach, Florida
October 20, 2016

DIOCESE OF PALM BEACH, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 21,198,920	\$ 18,758,904
Portfolio investments (Note 3)	33,547,644	32,698,765
Receivables from Diocesan entities (Note 4)	2,116,345	2,086,499
Pledges receivable, net (Note 5)	1,620,705	1,989,088
Other receivables	26,371	124,263
Other current assets	1,609,713	1,803,237
Property and equipment, net (Note 7)	24,794,927	25,140,322
Total assets	\$ 84,914,625	\$ 82,601,078
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,843,301	\$ 1,926,014
Self-insurance reserves (Note 8)	414,460	639,421
Annuities payable	84,063	100,984
Deferred revenue	25,803	43,013
Post-employment benefit obligation (Note 9)	567,650	2,577,279
Guarantee of indebtedness reserve (Note 2)	4,194,523	4,163,666
Total liabilities	7,129,800	9,450,377
Commitments and contingencies (Notes 2, 8, 11, 12 and 14)		
Net assets:		
Unrestricted	57,430,629	53,008,786
Temporarily restricted (Note 15)	13,953,978	13,741,697
Permanently restricted (Note 15)	6,400,218	6,400,218
Total net assets	77,784,825	73,150,701
Total liabilities and net assets	\$ 84,914,625	\$ 82,601,078

See notes to financial statements.

DIOCESE OF PALM BEACH, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2016 and 2015

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Diocesan services appeal	\$ -	\$ 8,826,036	\$ -	\$ 8,826,036	\$ -	\$ 8,735,851	\$ -	\$ 8,735,851
Contributions and bequests	1,482,391	1,953,715	-	3,436,106	121,495	3,161,423	-	3,282,918
Cemetery care deposits	-	211,058	-	211,058	-	170,635	-	170,635
Program revenue	1,383,054	-	-	1,383,054	1,265,102	-	-	1,265,102
Self-insurance program revenue	5,184,037	-	-	5,184,037	5,373,723	-	-	5,373,723
Net investment return (loss)	(132,083)	25,909	-	(106,174)	846,140	478,950	-	1,325,090
Interest and dividend income	538,177	134,625	-	672,802	458,473	128,640	-	587,113
Special events, net	276,340	-	-	276,340	277,827	-	-	277,827
Rental income	204,000	-	-	204,000	204,000	-	-	204,000
Other income, net	13,624	-	-	13,624	47,580	-	-	47,580
Net assets released from restrictions	10,939,062	(10,939,062)	-	-	9,711,745	(9,711,745)	-	-
Total support and revenue	19,888,602	212,281	-	20,100,883	18,306,085	2,963,754	-	21,269,839
Expenses:								
Program services:								
Bishop and pastoral leadership	1,390,313	-	-	1,390,313	1,317,874	-	-	1,317,874
Religious personnel development	1,352,615	-	-	1,352,615	967,527	-	-	967,527
Education and faith programs	2,769,884	-	-	2,769,884	2,647,923	-	-	2,647,923
Missions support	984,275	-	-	984,275	825,683	-	-	825,683
Parish support	-	-	-	-	1,000,000	-	-	1,000,000
Social service programs	2,988,187	-	-	2,988,187	2,898,633	-	-	2,898,633
Total program services	9,485,274	-	-	9,485,274	9,657,640	-	-	9,657,640
Supporting services:								
Self-insurance program	3,230,517	-	-	3,230,517	3,387,165	-	-	3,387,165
Diocesan administration	2,986,397	-	-	2,986,397	2,727,281	-	-	2,727,281
Plant, facility and construction management	1,743,343	-	-	1,743,343	1,705,152	-	-	1,705,152
Total expenses	17,445,531	-	-	17,445,531	17,477,238	-	-	17,477,238
Increase in net assets before non-operating activities	2,443,071	212,281	-	2,655,352	828,847	2,963,754	-	3,792,601
Change in guarantee of indebtedness reserve	(30,857)	-	-	(30,857)	963,491	-	-	963,491
Change in post-employment benefit obligation	2,009,629	-	-	2,009,629	26,223	-	-	26,223
Increase in net assets	4,421,843	212,281	-	4,634,124	1,818,561	2,963,754	-	4,782,315
Net assets - beginning of year	53,008,786	13,741,697	6,400,218	73,150,701	51,190,225	10,777,943	6,400,218	68,368,386
Net assets - end of year	<u>\$ 57,430,629</u>	<u>\$ 13,953,978</u>	<u>\$ 6,400,218</u>	<u>\$ 77,784,825</u>	<u>\$ 53,008,786</u>	<u>\$ 13,741,697</u>	<u>\$ 6,400,218</u>	<u>\$ 73,150,701</u>

See notes to financial statements.

DIOCESE OF PALM BEACH, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets	\$ 4,634,124	\$ 4,782,315
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	482,179	439,544
Unrealized and realized (gains) losses on investments, net	164,388	(1,192,646)
Change in guarantee of indebtedness reserve	30,857	(963,491)
Changes in operating assets and liabilities:		
Receivables from Diocesan entities	(29,846)	(125,831)
Pledges receivable	368,383	(1,989,088)
Other receivables	97,892	256,489
Other current assets	193,524	118,899
Accounts payable and accrued expenses	(82,713)	(214,949)
Self-insurance reserves	(224,961)	321
Post-employment benefit obligation	(2,009,629)	(26,223)
Deferred revenue	(17,210)	3,225
Annuities payable	(16,921)	(519)
Net cash provided by operating activities	3,590,067	1,088,046
Cash flows from investing activities:		
Proceeds from sales (purchases of) portfolio investments, net	(1,013,267)	357,621
Purchases of property and equipment	(136,784)	(354,841)
Net cash provided by (used in) investing activities	(1,150,051)	2,780
Increase in cash and cash equivalents	2,440,016	1,090,826
Cash and cash equivalents, beginning of year	18,758,904	17,668,078
Cash and cash equivalents, end of year	\$ 21,198,920	\$ 18,758,904

See notes to financial statements.

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 – Description of Activities and Summary of Significant Accounting Policies

The Diocese of Palm Beach, Inc. (the Diocese) is an operating entity of the Diocese of Palm Beach, a not-for-profit corporation existing under the laws of the State of Florida. There are no stockholders, directors or officers in The Diocese of Palm Beach, only the holder of the office of Bishop of Palm Beach (the Bishop). The Bishop holds title to all assets and is liable for all indebtedness of the Diocese of Palm Beach. The title to all assets and the responsibility for all indebtedness passes to the Bishop's successor in office rather than to his relatives or other customary heirs.

The accompanying financial statements of the Diocese do not include the accounts of the Diocese of Palm Beach that are affiliated with other Diocesan entities (e.g., parishes, schools, corporations). These financial statements also exclude the multi-employer pension and multi-employer health plan for the Diocese of Palm Beach and other Diocesan-related organizations and the assets and liabilities held by the Diocese of Palm Beach Savings Fund Trust (SFT) (see Note 2).

The Diocese serves five counties in the South Florida area and receives substantial financial support from parishioners through the Diocesan Service Appeal. Accordingly, the financial strength of the Diocese can vary based upon the economic health of the South Florida economy.

A summary of the significant accounting policies used to prepare the accompanying financial statements follows:

Basis of accounting and presentation

The Diocese's financial statements are prepared on the accrual basis of accounting in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) FASB ASC Topic 958, *Not-for-Profit Entities*.

Unconditional promises to give (pledges) are recorded as contributions at fair value at the date the promises are received. Contributions under split-interest agreements, including charitable remainder trusts and charitable gift annuities, for which the Diocese is the trustee or custodian are recorded at the fair value of the assets received, and a liability is recorded for the present value of the expected payments to be made to the beneficiaries (annuities payable). Grants under split-interest agreements for which the Diocese does not serve as trustee are recorded as contributions receivable at the present value of the expected cash to be received from the grant. The Diocese distinguishes between promises received for each net asset category in accordance with donor restrictions, if any.

Net assets and revenue, expenses, gains and losses are classified as temporarily restricted, permanently restricted, or unrestricted based on the existence or absence, respectively, of donor-imposed restrictions. Accordingly, net assets of the Diocese and changes therein are classified as follows:

Unrestricted net assets – Net assets available for the support of the Diocese's operations. The unrestricted net assets may be used at the discretion of the Diocese's management and the Bishop.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Diocese or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations to be maintained permanently by the Diocese. Generally, the donors of these assets permit the Diocese to use all or part of the earnings on related investments for general or specific purposes.

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 1 – Description of Activities and Summary of Significant Accounting Policies, Continued

Support and revenue recognition

Support and revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Billings to Diocesan entities for self-insurance program contributions are deferred and recognized as revenue ratably over the related policy period. Other support received in advance is recorded as deferred revenue. Expenses are reported as decreases in unrestricted net assets. Gains and/or losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications to unrestricted net assets in the period in which the restriction expires.

Contributions

Contributions, including unconditional promises to give (pledges), are recognized when the promise is received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Contributions of assets other than cash are reported at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. Amounts pledged are recorded as contributions of permanently restricted net assets, if designated by the donors as such, or temporarily restricted net assets until donor restrictions are met.

The Diocese reports non-cash contributions as unrestricted net assets unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Diocese reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services

Volunteers contribute significant services to the Diocese throughout the year, especially in the performance of certain program services. These volunteer services are not valued or recorded in the accompanying financial statements.

Cash and cash equivalents

Cash and cash equivalents include demand deposit and money market accounts, SFT deposits (see Note 2), and other highly-liquid investments with an original maturity of three months or less.

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 1 – Description of Activities and Summary of Significant Accounting Policies, Continued

Receivables from Diocesan entities

Receivables from Diocesan entities are stated at the amount of the uncollected balance, less an allowance for doubtful accounts of \$229,196 and \$209,045 at June 30, 2016 and 2015, respectively. The allowance for doubtful accounts is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on past experience and adverse situations that may affect the entity's ability to pay.

Portfolio investments

Portfolio investments are measured at fair value in the statements of financial position. Portfolio investments include marketable equity securities, U.S. government and mortgage-backed obligations, and corporate debt securities. Marketable equity and debt securities are carried at fair values based on quoted market prices.

Investment income and realized gains and losses on portfolio investments are recognized upon realization. Unrealized gains and losses are recognized based on changes in fair values during the period. Net investment returns are reported in appropriate net asset classifications based upon the existence of donor restrictions, if any.

Portfolio investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain portfolio investments, it is at least reasonably possible that changes in values of portfolio investments will occur in the near-term.

Property and equipment

Property and equipment is stated at cost if purchased or, if acquired by contribution, at the estimated fair market value on the date of contribution. The Diocese provides for depreciation over the estimated useful lives of the related assets using the straight-line method. These estimated useful lives are summarized in the following table:

Land improvements	39 years
Buildings and improvements	25–40 years
Furniture and equipment	5–10 years

Property held for sale is carried at the lower of cost or estimated fair value.

Annuities payable

Annuities payable represent amounts due to beneficiaries under various split-interest agreements in which the Diocese is the trustee or custodian. The related assets under these arrangements, totaling \$84,455 and \$100,366 at June 30, 2016 and 2015, respectively, are included in portfolio investments in the accompanying statements of financial position. The amounts due are calculated using discount rates ranging from 2.2% to 7.8% and the Internal Revenue Service's (IRS) life expectancy tables.

Advertising

Advertising is expensed as incurred and amounted to \$213,303 and \$224,895 for the years ended June 30, 2016 and 2015, respectively.

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 1 – Description of Activities and Summary of Significant Accounting Policies, Continued

Fund raising expenses

Fund raising expenses, approximating \$712,000 and \$642,000 for the years ended June 30, 2016 and 2015, respectively, are expensed as incurred and included in Diocesan administration in the accompanying statements of activities.

Income taxes

The Diocese of Palm Beach is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code (IRC).

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Guarantees of indebtedness reserve

The Diocese is the guarantor of loans to parishes and other Diocesan entities by the SFT which approximated \$36,400,000 for 42 loans and \$37,700,000 for 48 loans as of June 30, 2016 and 2015, respectively. The Diocese annually reviews the financial projections of the parishes and other Diocesan entities to determine whether the loan obligations are able to be fulfilled. Based upon management's most recent review, the Diocese determined that a reserve liability of \$4,194,523 is necessary for these loans as of June 30, 2016.

Long-lived assets

Management assesses the recoverability of its long-lived assets, which consist primarily of property and equipment with finite useful lives, whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Fair value disclosures

The Diocese discloses the fair value of financial instruments for which it is practicable to estimate fair value. The fair value of the Diocese's cash and cash equivalents, portfolio investments, receivables, and liabilities approximate their carrying values.

Special events

Special events represent events undertaken to raise funds for the benefit of educational programs. Support from special events is reported net of the related expenses in the statements of activities as temporarily restricted, permanently restricted, or unrestricted net assets, as appropriate. Support is recognized in accordance with the Diocese's contributions policy and related expenses are recorded as incurred.

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 1 – Description of Activities and Summary of Significant Accounting Policies, Continued

Reclassifications

Certain amounts in the 2015 financial statements were reclassified to conform to the presentation in the 2016 financial statements.

Note 2 –Diocese of Palm Beach Savings Fund Trust – Guarantee of Indebtedness Reserve

The Bishop guarantees loans made by SFT to certain Diocesan entities. During the years ended June 30, 2016 and 2015, the Diocese recorded changes to the reserve in the amount of \$30,857 and (\$963,491), respectively, based on its evaluation of collectability of certain of the underlying guaranteed loans. Summarized financial information for the SFT as of June 30, 2016 and 2015, and for the years then ended is presented below:

	For the Year Ended June 30,	
	2016	2015
Revenue	\$ 3,078,897	\$ 3,115,160
Cost and expenses	<u>(1,958,777)</u>	<u>(3,063,576)</u>
Increase in net assets	<u>\$ 1,120,120</u>	<u>\$ 51,584</u>
	As of June 30,	
	2016	2015
Assets:		
Cash and equivalents	\$ 17,691,073	\$ 10,242,868
Portfolio investments	74,637,144	73,262,635
Loans receivable and accruals	<u>40,263,281</u>	<u>41,566,251</u>
Total assets	<u>\$ 132,591,498</u>	<u>\$ 125,071,754</u>
Liabilities:		
Savings deposits – Diocesan entities	\$ 122,511,506	\$ 116,112,121
Accrued expenses	<u>16,849</u>	<u>16,610</u>
Total liabilities	122,528,355	116,128,731
Net assets	<u>10,063,143</u>	<u>8,943,023</u>
Total liabilities and net assets	<u>\$ 132,591,498</u>	<u>\$ 125,071,754</u>

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 –Diocese of Palm Beach Savings Fund Trust – Guarantee of Indebtedness, Continued

Balances and transactions with SFT

The following is a summary of balances and transactions between the Diocese and SFT as of and for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
For the year:		
Guarantee of indebtedness adjustment	\$ <u>(30,857)</u>	\$ <u>963,491</u>
Program revenue – administrative fee	\$ <u>115,000</u>	\$ <u>105,000</u>
Interest income on savings deposits	\$ <u>297,124</u>	\$ <u>240,354</u>
At year end:		
Assets –		
Savings Fund Trust deposits (included in cash and cash equivalents)	\$ <u>19,475,222</u>	\$ <u>15,931,853</u>
Liabilities –		
Guarantee of indebtedness reserve	\$ <u>4,194,523</u>	\$ <u>4,163,666</u>

Credit facility

The Diocese guarantees a \$5,000,000 credit facility SFT has with a financial institution. There were no outstanding borrowings under the credit facility at June 30, 2016.

Note 3 – Portfolio Investments

A summary of portfolio investments, by investment type, at June 30, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Marketable equity securities	\$ 22,112,307	\$ 21,490,294
U.S. government and mortgage-backed obligations	4,940,683	10,306,645
Corporate debt securities	6,436,038	844,851
Accrued interest and dividends receivable	<u>58,616</u>	<u>56,975</u>
Total	<u>\$ 33,547,644</u>	<u>\$ 32,698,765</u>

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 3 – Portfolio Investments, Continued

The following schedule summarizes the net investment return on portfolio investments for the years ended June 30, 2016 and 2015 and its classification in the statements of activities:

	Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net investment income (loss)	\$ (44,925)	\$ 103,139	\$ -	\$ 58,214
Realized gains, net	502,225	291,339	-	793,564
Unrealized losses, net	<u>(589,383)</u>	<u>(368,569)</u>	<u>-</u>	<u>(957,952)</u>
Net investment return (loss)	<u>\$ (132,083)</u>	<u>\$ 25,909</u>	<u>\$ -</u>	<u>\$ (106,174)</u>

	Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net investment income	\$ 17,044	\$ 115,400	\$ -	\$ 132,444
Realized gains, net	449,953	298,072	-	748,025
Unrealized gains, net	<u>379,143</u>	<u>65,478</u>	<u>-</u>	<u>444,621</u>
Net investment return	<u>\$ 846,140</u>	<u>\$ 478,950</u>	<u>\$ -</u>	<u>\$ 1,325,090</u>

Net investment return includes approximately \$205,000 and \$195,000 of investment expenses for the years ended June 30, 2016 and 2015, respectively.

Note 4 – Receivables from Diocesan Entities

Receivables from Diocesan entities are summarized as follows at June 30, 2016 and 2015:

	2016	2015
Diocesan services appeal	\$ 2,025,348	\$ 1,960,699
Self-insurance program billings, net of allowance (see Note 8)	<u>90,997</u>	<u>125,800</u>
	<u>\$ 2,116,345</u>	<u>\$ 2,086,499</u>

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 5 – Pledges Receivable, Net

Pledge contributions consists of scholarship endowments to be awarded to students attending Diocesan schools. Pledge contributions are reported net of an adjustment to net present value as of June 30, 2016, as follows:

Pledges due:	
In less than one year	\$ 850,000
In one to five years	<u>794,000</u>
	1,644,000
Less: present value discount	<u>(23,295)</u>
	<u>\$ 1,620,705</u>

The Diocese applies a discount rate of 2% to its pledges with terms in excess of one year.

Note 6 – Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Market price observability is impacted by a number of factors, including the type of asset or liability and the characteristics specific to the asset or liability. Assets and liabilities with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of assets and liabilities included in Level 1 includes listed equities and listed debt instruments and derivatives.

Level 2 – Pricing inputs are other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models and other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Diocese assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 6 – Fair Value Measurements, Continued

The following table summarizes the Diocese assets and liabilities reported at fair value based on the valuation methodology applied by the Diocese as of June 30, 2016 and 2015:

	2016			Total
	Level 1 Quoted prices in markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs	
Investments:				
Marketable equity securities	\$ 22,112,307	\$ -	\$ -	\$ 22,112,307
U.S. Government and mortgage-backed obligations	4,940,683	-	-	4,940,683
Corporate debt securities	6,436,038	-	-	6,436,038
Accrued interest and dividends	-	58,616	-	58,616
Total investments	<u>\$ 33,489,028</u>	<u>\$ 58,616</u>	<u>\$ -</u>	<u>\$ 33,547,644</u>
Liabilities:				
Annuities payable	<u>\$ -</u>	<u>\$ (84,063)</u>	<u>\$ -</u>	<u>\$ (84,063)</u>
	2015			Total
	Level 1: Quoted prices in markets for identical assets	Level 2: Significant other observable inputs	Level 3: Significant unobservable inputs	
Investments:				
Marketable equity securities	\$ 21,490,294	\$ -	\$ -	\$ 21,490,294
U.S. Government and mortgage-backed obligations	10,306,645	-	-	10,306,645
Corporate debt securities	844,851	-	-	844,851
Accrued interest and dividends	-	56,975	-	56,975
Total investments	<u>\$ 32,641,790</u>	<u>\$ 56,975</u>	<u>\$ -</u>	<u>\$ 32,698,765</u>
Liabilities:				
Annuities payable	<u>\$ -</u>	<u>\$ (100,984)</u>	<u>\$ -</u>	<u>\$ (100,984)</u>

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 7 – Property and Equipment

Property and equipment consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Operating property and equipment:		
Land and land improvements	\$ 15,375,907	\$ 15,375,907
Buildings and improvements	14,679,637	14,542,853
Furniture and equipment	<u>2,450,915</u>	<u>2,466,155</u>
	32,506,459	32,384,915
Less: accumulated depreciation	<u>(8,179,186)</u>	<u>(7,712,247)</u>
Operating property and equipment, net	24,327,273	24,672,668
Property held for sale	<u>467,654</u>	<u>467,654</u>
	<u>\$ 24,794,927</u>	<u>\$ 25,140,322</u>

Included in land and land improvements are certain unimproved parcels that the Diocese may sell or use as sites for future churches. There were no sales of property held for sale during the years ended June 30, 2016 and 2015.

Note 8 – Self-Insurance Reserves

The Diocese of Palm Beach maintains a self-insurance plan for property and general liability, workers' compensation and unemployment compensation insurance for Diocesan entities. Under this program, each Diocesan entity is billed for self-insurance program contributions representing its share of the estimated costs of claims, administration fees and excess coverage insurance policy premiums.

The self-insurance plan includes an excess of loss insurance coverage purchased from outside insurance carriers. Generally, amounts are recoverable under this coverage after the amount of a specific claim has exceeded a specified retention limit. The self-insurance plan provides for an aggregate loss sharing arrangement (the arrangement) among many dioceses in the State of Florida for claims arising from property, general liability and workers' compensation matters.

The arrangement provides that each Diocese will reimburse the other program participants for losses in a particular claim year that exceed an agreed-upon amount. The arrangement is designed to provide each of the participants with an additional layer of protection from abnormally large or catastrophic losses during a given claim year.

Provision has been made for the settlement of all incurred claims, both reported and unreported, for each open claim year. The self-insurance reserves represent the estimated total cost of claims incurred but not settled at June 30, 2016 and 2015. Reserve estimates for reported claims are primarily determined by evaluation of individual reported claims by the plan's third party administrator. Reserve estimates for claims incurred but not reported are based on prior experience and the advice of an independent actuarial consultant. The methods for making such estimates, and for establishing the resulting liabilities, are periodically reviewed and updated by management.

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 8 – Self-Insurance Reserves, Continued

During the years ended June 30, 2016 and 2015, the Diocese received \$76,210 and \$121,266, respectively, of recoveries on claims that are included as a reduction of self-insurance program expense in the accompanying statements of activities.

Note 9 – Employee Benefits

Pension Plan

The Diocese participates in a multi-employer master retirement pension plan established by the Diocese of Palm Beach to provide retirement benefits for lay workers and religious personnel of Catholic organizations within the Diocese of Palm Beach. During 2012, the Restated Pension Plan for Employees and Sisters and Brothers (Lay Plan) within the Diocese of Palm Beach was formally amended and, as of July 1, 2012, the accrual of benefits for all lay employees of the Lay Plan ceased and such benefits were frozen. Total retirement expense charged to the Diocese under the pension plan for the years ended June 30, 2016 and 2015 approximated \$273,000 and \$326,000, respectively.

403(b) Plan

The Diocese maintains a defined contribution plan under section 403(b) of the IRC (403(b) Plan) which provides for employee contributions up to certain specified limits. The Diocese contributes 5% of the employees' salary and with an additional maximum 2% of the employees' elective deferrals into the 403(b) Plan. Total retirement expense charged to the Diocese under the 403(b) Plan for the years ended June 30, 2016 and 2015 approximated \$244,000 and \$212,000, respectively.

Health Plan

The Diocese participates in a major medical, comprehensive dental, long-term disability, life insurance, accidental death and dismemberment benefits plan through the Diocese of Palm Beach Health Plan Trust (the Trust), established by the Diocese of Palm Beach. Contributions to the Trust approximated \$926,000 and \$804,000 for the years ended June 30, 2016 and 2015, respectively.

Post-Employment Benefit Obligation

The Diocese provides certain post-employment benefits to former clergy to supplement their pension benefits and provide certain health and other insurance coverage. The Diocese records a post-employment benefit obligation for the estimated discounted future cost of the benefits and annually reviews the adequacy of the obligation. The post-employment benefit obligation is unfunded and calculated using the IRS life expectancy tables and a 5% discount rate.

During 2016, the Diocese revised the obligation to fund retired priests' health insurance and the Diocese of Palm Beach, Inc., is now only obligated to fund supplemental retirement income to certain priests. As a result of a change in the obligation and assignment of the obligations to the parishes of the Diocese, the obligation was reduced from \$2,577,279 to \$567,650 as of June 30, 2016.

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 10 – Special Events

Special events revenue and related expenses for the years ended June 30, 2016 and 2015 includes the following:

	<u>2016</u>	<u>2015</u>
Event proceeds	\$ 384,139	\$ 404,167
Direct event expenses	<u>107,799</u>	<u>126,340</u>
Net	<u>\$ 276,340</u>	<u>\$ 277,827</u>

Note 11 – Legal Proceedings

The Diocese is a party to various litigation and other claims in the ordinary course of conducting its activities. The Diocese recognizes liabilities for legal proceedings when a loss is probable and estimable. In the event that a loss is probable and estimable within a range, the Diocese accrues the amount most likely to be incurred. Management does not believe that the outcome of these litigation matters will have a material impact on the financial condition of the Diocese. Accordingly, there is no accrual for legal proceedings at June 30, 2016 and 2015.

Note 12 – Description of Leasing Arrangements

As Lessee:

The Diocese is obligated under various operating equipment leases. Rent expense under all operating leases for the years ended June 30, 2016 and 2015 totaled \$12,033 and \$8,428, respectively.

As Lessor:

The Diocese leases the use of its community ministry facilities located in Riviera Beach, Florida to the Catholic Charities of the Diocese of Palm Beach, Inc. (Catholic Charities), under a non-cancelable operating lease expiring in 2032 which automatically renews for successive one year terms. The Diocese, under the terms of the lease, will receive \$10 annually through 2032. As of June 30, 2016, the cost and related accumulated depreciation of the Diocese ministry facility and improvements made thereto amounted to \$3,337,681 and \$209,417, respectively.

The Diocese annually budgets for substantial subsidies to Catholic Charities and therefore only recognizes as a promise to give the operating lease commitment for the following year. Contributed use of facilities is included in the accompanying statements of activities under social service programs in the amount of \$204,000 for each of the years ended June 30, 2016 and 2015.

Note 13 – Cemetery Care Agreement

Funds for the continuous care of Our Lady Queen of Peace Cemetery (the Cemetery), a separately reporting Diocesan entity, are accumulated pursuant to a Perpetual Care and Maintenance Agreement, dated May 1, 1991 (the Agreement). Under the Agreement, the Cemetery remits 10% of its net cash receipts from sales of burial rights, entombment rights, and internment rights to the Diocese. The Cemetery may use related earnings and, if necessary, deposits for the perpetual care and upkeep of the Cemetery. The Cemetery care deposits and related earnings are recorded in temporarily restricted net assets in the accompanying statements of activities.

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 14 – Commitments

The Diocese guarantees certain equipment leases entered into by various Diocesan entities. The aggregate amount of such guarantees was \$376,420 as of June 30, 2016. No amounts are recognized in the accompanying financial statements relating to these guarantees.

Note 15 – Restricted Net Assets and Endowment

The Diocese's endowment is established for the purposes expressed in the mission of the Diocese. The Diocese's endowment consists of donor-restricted endowment funds and funds designated by the Finance Council to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Temporarily restricted net assets consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Diocesan services appeal	\$ 2,025,348	\$ 1,960,699
Education and scholarships (endowment)	5,337,824	5,133,125
Seminarian	685,733	677,087
Program services (endowment)	2,773,021	3,095,243
Cemetery care deposits and earnings (Note 13)	<u>3,132,052</u>	<u>2,875,543</u>
	<u>\$ 13,953,978</u>	<u>\$ 13,741,697</u>

Permanently restricted net assets consist of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Seminary Burse Fund	\$ 4,778,888	\$ 4,778,888
Education Fund	<u>1,621,330</u>	<u>1,621,330</u>
	<u>\$ 6,400,218</u>	<u>\$ 6,400,218</u>

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Diocese to retain as a fund of perpetual duration. Any losses are recorded as reductions in unrestricted net assets and restored with subsequent gains.

Interpretation of relevant law

Effective July 1, 2012, the State of Florida enacted the Prudent Management of Institutional Funds Act (FUPMIFA) which requires management to use reasonable care, skill and caution as exercised by a prudent investor in considering the investment management and expenditures of endowment funds, absent explicit donor stipulations to the contrary.

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 15 – Restricted Net Assets and Endowment, Continued

Return objectives and risk parameters

The Diocese has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Diocese must hold in perpetuity. Under this policy, as approved by the Finance Council, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of multiple benchmarks based on the type of investment while assuming a moderate to low level of investment risk and providing a necessary level of liquidity.

The Diocese expects its endowment funds, over time, to exceed the rate of return of specified investment benchmarks described in the endowment’s investment policy. Actual returns in any given year may vary from this amount.

Strategies employed to achieve objectives

To satisfy its long-term rate-of-return objectives, the Diocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Diocese targets a diversified allocation to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The Diocese’s policy is to appropriate amounts for distribution each year. Such amounts are determined by the Diocese’s calculation for disbursements as determined by the application of the target spending rate to the moving average of the total market value of the endowment at the end of the previous twelve calendar quarters. The spending formula is applied annually. There is no distribution if the endowment market value is below the endowed corpus. The Diocese target spending rate is set at 4% and is applied to the total endowment market value using a total return approach. This is consistent with the Diocese’s objective to maintain the purchasing power of the endowment assets held to provide additional real growth through investment return.

Endowment net assets, by type of fund, as of June 30, 2016 are composed as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ _____ -	\$ <u>8,110,845</u>	\$ <u>6,400,218</u>	\$ <u>14,511,063</u>

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 15 – Restricted Net Assets and Endowment, Continued

Changes in endowment net assets for the year ended June 30, 2016 follow:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance as of July 1, 2015	\$ -	\$ 8,228,368	\$ 6,400,218	\$ 14,628,586
Net investment return:				
Investment income	-	103,139	-	103,139
Net depreciation (realized and unrealized)	-	(77,230)	-	(77,230)
Total investment return	-	25,909	-	25,909
Interest income	-	79,140	-	79,140
Contributions, special events, cemetery care deposits	-	1,899,523	-	1,899,523
Appropriations for endowment expenditures	-	(2,122,095)	-	(2,122,095)
Balance as of June 30, 2016	<u>\$ -</u>	<u>\$ 8,110,845</u>	<u>\$ 6,400,218</u>	<u>\$ 14,511,063</u>

Note 16 – Net Assets Released From Restrictions

During the years ended June 30, 2016 and 2015, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors, as follows:

	<u>2016</u>	<u>2015</u>
Diocesan services appeal	\$ 8,761,387	\$ 8,385,870
Education and scholarships	1,260,430	900,957
Program services	<u>917,245</u>	<u>424,918</u>
Total	<u>\$ 10,939,062</u>	<u>\$ 9,711,745</u>

Note 17 – Agency Transactions

The Diocese undertakes certain fundraising activities for which it receives gifts that the donor designates for another entity. These are considered agency transactions, not contributions to the Diocese. Upon receipt, the Diocese recognizes a liability to the designated beneficiary of the gift.

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 18 – Concentrations of Credit Risk

Financial instruments which potentially subject the Diocese to concentrations of credit risk include the Diocese's cash and cash equivalent accounts, SFT deposits, portfolio debt securities, and receivables from Diocesan entities. The Diocese places its cash and cash equivalents with high credit-quality financial institutions. Such balances may exceed the FDIC insurance limit. Management regularly monitors all of its deposits, investments and lending activities to limit its credit risk exposure. Cash and cash equivalents exceeded the FDIC insured limit by \$163,474 and \$693,242 as of June 30, 2016 and 2015, respectively. In addition, balances held in uninsured investment cash accounts totaled \$22,958,467 and \$18,038,224 as of June 30, 2016 and 2015, respectively.

Note 19 – Subsequent Events

The Diocese evaluated its activities occurring subsequent to June 30, 2016 through October 20, 2016, the date on which the financial statements were available to be issued, for events that should be recorded in the financial statements or disclosed in the footnotes thereto.

SUPPLEMENTARY INFORMATION

DIOCESE OF PALM BEACH, INC.
SCHEDULE OF FINANCIAL POSITION, BY FUND
June 30, 2016

	Operating Fund	Plant Fund	Self- Insurance Fund	Eliminating Entries	Total Combined
ASSETS					
Cash and cash equivalents	\$ 9,696,608	\$ -	\$ 11,502,312	\$ -	\$ 21,198,920
Portfolio investments	33,547,644	-	-	-	33,547,644
Receivables from Diocesan entities, net	2,025,348	-	90,997	-	2,116,345
Pledges receivable	1,620,705	-	-	-	1,620,705
Other receivables	26,371	-	-	-	26,371
Other current assets	89,503	8,990	1,511,220	-	1,609,713
Property and equipment, net	-	24,794,927	-	-	24,794,927
Due from funds	<u>5,336,365</u>	<u>-</u>	<u>-</u>	<u>(5,336,365)</u>	<u>-</u>
Total assets	<u>\$ 52,342,544</u>	<u>\$ 24,803,917</u>	<u>\$ 13,104,529</u>	<u>\$ (5,336,365)</u>	<u>\$ 84,914,625</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,708,699	\$ 88,460	\$ 46,142	\$ -	\$ 1,843,301
Self-insurance reserves	-	-	414,460	-	414,460
Annuities payable	84,063	-	-	-	84,063
Post-employment benefit obligation	567,650	-	-	-	567,650
Guarantee of indebtedness reserve	4,194,523	-	-	-	4,194,523
Deferred revenue	25,803	-	-	-	25,803
Due to funds	<u>-</u>	<u>5,336,365</u>	<u>-</u>	<u>(5,336,365)</u>	<u>-</u>
Total liabilities	6,580,738	5,424,825	460,602	(5,336,365)	7,129,800
Net assets	<u>45,761,806</u>	<u>19,379,092</u>	<u>12,643,927</u>	<u>-</u>	<u>77,784,825</u>
Total liabilities and net assets	<u>\$ 52,342,544</u>	<u>\$ 24,803,917</u>	<u>\$ 13,104,529</u>	<u>\$ (5,336,365)</u>	<u>\$ 84,914,625</u>

DIOCESE OF PALM BEACH, INC.
SCHEDULE OF FINANCIAL POSITION, BY FUND
June 30, 2015

	Operating Fund	Plant Fund	Self- Insurance Fund	Eliminating Entries	Total Combined
ASSETS					
Cash and cash equivalents	\$ 9,103,658	\$ -	\$ 9,655,246	\$ -	\$ 18,758,904
Portfolio investments	32,698,765	-	-	-	32,698,765
Receivables from Diocesan entities	1,960,699	-	125,800	-	2,086,499
Pledges receivable	1,989,088	-	-	-	1,989,088
Other receivables	17,052	107,211	-	-	124,263
Other current assets	90,274	-	1,712,963	-	1,803,237
Property and equipment, net	-	25,140,322	-	-	25,140,322
Due from funds	4,881,745	-	-	(4,881,745)	-
Total assets	<u>\$ 50,741,281</u>	<u>\$ 25,247,533</u>	<u>\$ 11,494,009</u>	<u>\$ (4,881,745)</u>	<u>\$ 82,601,078</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,873,080	\$ 17,520	\$ 35,414	\$ -	\$ 1,926,014
Self-insurance reserves	-	-	639,421	-	639,421
Annuities payable	100,984	-	-	-	100,984
Post-employment benefit obligation	2,577,279	-	-	-	2,577,279
Guarantee of indebtedness reserve	4,163,666	-	-	-	4,163,666
Deferred revenue	43,013	-	-	-	43,013
Due to funds	-	4,881,745	-	(4,881,745)	-
Total liabilities	8,758,022	4,899,265	674,835	(4,881,745)	9,450,377
Net assets	<u>41,983,259</u>	<u>20,348,268</u>	<u>10,819,174</u>	<u>-</u>	<u>73,150,701</u>
Total liabilities and net assets	<u>\$ 50,741,281</u>	<u>\$ 25,247,533</u>	<u>\$ 11,494,009</u>	<u>\$ (4,881,745)</u>	<u>\$ 82,601,078</u>

DIOCESE OF PALM BEACH, INC.
SCHEDULE OF ACTIVITIES, BY FUND
For the Year Ended June 30, 2016

	Operating Funds	Plant Fund	Self- Insurance Fund	Eliminating Entries	Combined
Support and revenue:					
Diocesan services appeal	\$ 8,826,036	\$ -	\$ -	\$ -	\$ 8,826,036
Contributions and bequests	3,436,106	-	-	-	3,436,106
Cemetery care deposits	211,058	-	-	-	211,058
Program revenue	1,892,899	-	-	(509,845)	1,383,054
Self-insurance program revenue	-	-	5,400,290	(216,253)	5,184,037
Net investment return	(106,174)	-	-	-	(106,174)
Interest and dividend income	508,463	-	164,339	-	672,802
Special events, net	276,340	-	-	-	276,340
Rental income	204,000	-	-	-	204,000
Other income, net	1,539	11,599	486	-	13,624
Total support and revenue	<u>15,250,267</u>	<u>11,599</u>	<u>5,565,115</u>	<u>(726,098)</u>	<u>20,100,883</u>
Expenses:					
Program services:					
Bishop and pastoral leadership	1,395,009	-	-	(4,696)	1,390,313
Religious personnel development	1,356,765	-	-	(4,150)	1,352,615
Education and faith programs	2,777,318	-	-	(7,434)	2,769,884
Missions support	1,102,321	-	-	(118,046)	984,275
Social service programs	2,995,706	-	-	(7,519)	2,988,187
Total program services	9,627,119	-	-	(141,845)	9,485,274
Supporting services:					
Self-insurance program	-	-	3,740,362	(509,845)	3,230,517
Diocesan administration	3,010,000	-	-	(23,603)	2,986,397
Plant, facility, and construction management	813,373	980,775	-	(50,805)	1,743,343
Total expenses	<u>13,450,492</u>	<u>980,775</u>	<u>3,740,362</u>	<u>(726,098)</u>	<u>17,445,531</u>
Increase (decrease) in net assets before non-operating activities	1,799,775	(969,176)	1,824,753	-	2,655,352
Change in guarantee of indebtedness reserve	(30,857)	-	-	-	(30,857)
Change in post-employment benefit obligation	2,009,629	-	-	-	2,009,629
Increase (decrease) in net assets	3,778,547	(969,176)	1,824,753	-	4,634,124
Net assets, beginning of year	41,983,259	20,348,268	10,819,174	-	73,150,701
Net assets, end of year	<u>\$45,761,806</u>	<u>\$19,379,092</u>	<u>\$12,643,927</u>	<u>\$ -</u>	<u>\$ 77,784,825</u>

DIOCESE OF PALM BEACH, INC.
SCHEDULE OF ACTIVITIES, BY FUND
For the Year Ended June 30, 2015

	Operating Funds	Plant Fund	Self- Insurance Fund	Eliminating Entries	Combined
Support and revenue:					
Diocesan services appeal	\$ 8,735,851	\$ -	\$ -	\$ -	\$ 8,735,851
Contributions and bequests	3,282,918	-	-	-	3,282,918
Cemetery care deposits	170,635	-	-	-	170,635
Program revenue	1,711,352	-	-	(446,250)	1,265,102
Self-insurance program revenue	-	-	5,582,686	(208,963)	5,373,723
Net investment return	1,325,090	-	-	-	1,325,090
Interest and dividend income	475,795	-	111,318	-	587,113
Special events, net	277,827	-	-	-	277,827
Rental income	204,000	-	-	-	204,000
Other income, net	9,190	28,359	10,031	-	47,580
Total support and revenue	<u>16,192,658</u>	<u>28,359</u>	<u>5,704,035</u>	<u>(655,213)</u>	<u>21,269,839</u>
Expenses:					
Program services:					
Bishop and pastoral leadership	1,338,470	-	-	(20,596)	1,317,874
Religious personnel development	978,729	-	-	(11,202)	967,527
Education and faith programs	2,655,326	-	-	(7,403)	2,647,923
Missions support	909,719	-	-	(84,036)	825,683
Parish support	1,000,000	-	-	-	1,000,000
Social service programs	2,908,740	-	-	(10,107)	2,898,633
Total program services	9,790,984	-	-	(133,344)	9,657,640
Supporting services:					
Self-insurance program	-	-	3,833,415	(446,250)	3,387,165
Diocesan administration	2,749,999	-	-	(22,718)	2,727,281
Plant, facility, and construction management	803,493	954,560	-	(52,901)	1,705,152
Total expenses	<u>13,344,476</u>	<u>954,560</u>	<u>3,833,415</u>	<u>(655,213)</u>	<u>17,477,238</u>
Increase (decrease) in net assets before non-operating activities	2,848,182	(926,201)	1,870,620	-	3,792,601
Change in guarantee of indebtedness reserve	963,491	-	-	-	963,491
Change in post-employment benefit obligation	26,223	-	-	-	26,223
Increase (decrease) in net assets	3,837,896	(926,201)	1,870,620	-	4,782,315
Net assets, beginning of year	38,145,363	21,274,469	8,948,554	-	68,368,386
Net assets, end of year	<u>\$41,983,259</u>	<u>\$20,348,268</u>	<u>\$10,819,174</u>	<u>\$ -</u>	<u>\$73,150,701</u>