

**DIOCESE OF PALM BEACH, INC.**  
**REPORT ON AUDITS OF FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

# DIOCESE OF PALM BEACH, INC.

## Table of Contents

	<u>Page</u>
Report of independent auditors	1–2
Financial statements:	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6–21
Supplementary information:	
Schedules of financial position, by fund	22–23
Schedules of activities, by fund	24–25

## 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, 2017 and 2016, 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, 2017 and 2016, 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  
November 7, 2017

**DIOCESE OF PALM BEACH, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 23,236,948	\$ 21,198,920
Portfolio investments (Note 3)	36,491,891	33,547,644
Receivables from Diocesan entities (Note 4)	1,933,057	2,116,345
Pledges receivable, net (Note 5)	979,750	1,620,705
Other receivables	15,798	26,371
Other current assets	1,566,445	1,609,713
Property and equipment, net (Note 7)	24,605,258	24,794,927
Total assets	\$ 88,829,147	\$ 84,914,625
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,175,197	\$ 1,843,301
Self-insurance reserves (Note 8)	758,618	414,460
Annuities payable	67,353	84,063
Deferred revenue	26,453	25,803
Post-employment benefit obligation (Note 9)	591,631	567,650
Guarantee of indebtedness reserve (Note 2)	3,186,183	4,194,523
Total liabilities	7,805,435	7,129,800
Commitments and contingencies (Notes 2, 8, 11, 12 and 14)		
Net assets:		
Unrestricted	58,892,079	57,430,629
Temporarily restricted (Note 15)	14,845,015	13,953,978
Permanently restricted (Note 15)	7,286,618	6,400,218
Total net assets	81,023,712	77,784,825
Total liabilities and net assets	\$ 88,829,147	\$ 84,914,625

See notes to financial statements.

**DIOCESE OF PALM BEACH, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended June 30, 2017 and 2016**

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue:</b>								
Diocesan services appeal	\$ -	\$ 8,732,268	\$ -	\$ 8,732,268	\$ -	\$ 8,826,036	\$ -	\$ 8,826,036
Contributions and bequests	784,591	831,111	886,400	2,502,102	1,482,391	1,953,715	-	3,436,106
Cemetery care deposits	-	265,812	-	265,812	-	211,058	-	211,058
Program revenue	1,857,802	-	-	1,857,802	1,383,054	-	-	1,383,054
Self-insurance program revenue	5,230,908	-	-	5,230,908	5,184,037	-	-	5,184,037
Net investment return (loss)	2,135,510	1,020,767	-	3,156,277	(132,083)	25,909	-	(106,174)
Interest and dividend income	571,256	155,638	-	726,894	538,177	134,625	-	672,802
Special events, net	286,379	-	-	286,379	276,340	-	-	276,340
Rental income	204,130	-	-	204,130	204,000	-	-	204,000
Other income, net	232,434	-	-	232,434	13,624	-	-	13,624
Net assets released from restrictions	<u>10,114,559</u>	<u>(10,114,559)</u>	<u>-</u>	<u>-</u>	<u>10,939,062</u>	<u>(10,939,062)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>21,417,569</u>	<u>891,037</u>	<u>886,400</u>	<u>23,195,006</u>	<u>19,888,602</u>	<u>212,281</u>	<u>-</u>	<u>20,100,883</u>
<b>Expenses:</b>								
Program services:								
Bishop and pastoral leadership	1,325,911	-	-	1,325,911	1,390,313	-	-	1,390,313
Religious personnel development	1,641,072	-	-	1,641,072	1,352,615	-	-	1,352,615
Education and faith programs	2,719,583	-	-	2,719,583	2,769,884	-	-	2,769,884
Missions support	1,094,509	-	-	1,094,509	984,275	-	-	984,275
Social service programs	<u>3,228,269</u>	<u>-</u>	<u>-</u>	<u>3,228,269</u>	<u>2,988,187</u>	<u>-</u>	<u>-</u>	<u>2,988,187</u>
Total program services	10,009,344	-	-	10,009,344	9,485,274	-	-	9,485,274
Supporting services:								
Self-insurance program	5,518,330	-	-	5,518,330	3,230,517	-	-	3,230,517
Diocesan administration	3,272,006	-	-	3,272,006	2,986,397	-	-	2,986,397
Plant, facility and construction management	<u>1,840,798</u>	<u>-</u>	<u>-</u>	<u>1,840,798</u>	<u>1,743,343</u>	<u>-</u>	<u>-</u>	<u>1,743,343</u>
<b>Total expenses</b>	<u>20,640,478</u>	<u>-</u>	<u>-</u>	<u>20,640,478</u>	<u>17,445,531</u>	<u>-</u>	<u>-</u>	<u>17,445,531</u>
Increase in net assets before non-operating activities	777,091	891,037	886,400	2,554,528	2,443,071	212,281	-	2,655,352
Change in guarantee of indebtedness reserve	708,340	-	-	708,340	(30,857)	-	-	(30,857)
Change in post-employment benefit obligation	<u>(23,981)</u>	<u>-</u>	<u>-</u>	<u>(23,981)</u>	<u>2,009,629</u>	<u>-</u>	<u>-</u>	<u>2,009,629</u>
Increase in net assets	1,461,450	891,037	886,400	3,238,887	4,421,843	212,281	-	4,634,124
Net assets - beginning 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>
Net assets - end of year	<u>\$ 58,892,079</u>	<u>\$ 14,845,015</u>	<u>\$ 7,286,618</u>	<u>\$ 81,023,712</u>	<u>\$ 57,430,629</u>	<u>\$ 13,953,978</u>	<u>\$ 6,400,218</u>	<u>\$ 77,784,825</u>

See notes to financial statements.

**DIOCESE OF PALM BEACH, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2017 and 2016**

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 3,238,887	\$ 4,634,124
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	482,669	482,179
Gain on sale of property	(225,595)	-
Unrealized and realized (gains) losses on investments, net	(3,000,696)	164,388
Change in guarantee of indebtedness reserve	(1,008,340)	30,857
Changes in operating assets and liabilities:		
Receivables from Diocesan entities	183,288	(29,846)
Pledges receivable	640,955	368,383
Other receivables	10,573	97,892
Other current assets	43,268	193,524
Accounts payable and accrued expenses	1,331,896	(82,713)
Self-insurance reserves	344,158	(224,961)
Post-employment benefit obligation	23,981	(2,009,629)
Deferred revenue	650	(17,210)
Annuities payable	(16,710)	(16,921)
Net cash provided by operating activities	2,048,984	3,590,067
Cash flows from investing activities:		
Purchases of portfolio investments	(35,601,914)	(21,406,447)
Proceeds from sales of portfolio investments	35,658,363	20,393,180
Proceeds from sale of property	290,000	-
Purchases of property and equipment	(357,405)	(136,784)
Net cash used in investing activities	(10,956)	(1,150,051)
Increase in cash and cash equivalents	2,038,028	2,440,016
Cash and cash equivalents, beginning of year	21,198,920	18,758,904
Cash and cash equivalents, end of year	\$ 23,236,948	\$ 21,198,920

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 are reported as increases 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 \$298,186 and \$229,196 at June 30, 2017 and 2016, 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 \$67,633 and \$84,455 at June 30, 2017 and 2016, respectively, are included in portfolio investments in the accompanying statements of financial position. The amounts due are calculated using discount rates ranging from 3.8% to 7.8% and the Internal Revenue Service's (IRS) life expectancy tables.

Advertising

Advertising is expensed as incurred and amounted to \$196,896 and \$213,303 for the years ended June 30, 2017 and 2016, 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 \$657,000 and \$712,000 for the years ended June 30, 2017 and 2016, 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 \$35,600,000 for 38 loans and \$36,400,000 for 42 loans as of June 30, 2017 and 2016, 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 \$3,186,183 is necessary for these loans as of June 30, 2017.

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 2016 financial statements were reclassified to conform to the presentation in the 2017 financial statements.

New accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, (Topic 842), which is intended to increase transparency and comparability of accounting for lease transactions. The ASU will require all leases to be recognized in the statement of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The new pronouncement is effective for years beginning after December 15, 2018. The Diocese is currently evaluating the effects the ASU will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958), *Presentation of Financial Statements for Not-for-Profit Entities*. ASU 2016-14 makes certain revisions that address many, but not all, of the identified issues about the current financial reporting for Not-for-Profit Entities. The ASU addresses the following key qualitative and quantitative matters:

- Net asset classes
- Investment return
- Expenses and related information
- Presentation of operating cash flows
- Liquidity and availability of resources

The amendments in ASU 2016-14 are effective for financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in this update are permitted. The amendments are applied on a modified retrospective basis in the year the update is first applied. In the period the update are first applied, the entity must disclose the nature of any reclassifications or restatements and their effects, if any, on changes in net assets for each period presented.

**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, 2017 and 2016, the Diocese recorded changes to the reserve in the amount of \$(708,340) and \$30,857, respectively, based on its evaluation of collectability of certain of the underlying guaranteed loans. Summarized financial information for the SFT as of June 30, 2017 and 2016, and for the years then ended is presented below:

	For the Year Ended June 30,	
	2017	2016
Revenue	\$ 3,428,312	\$ 3,078,938
Cost and expenses	<u>(2,350,663)</u>	<u>(1,958,818)</u>
Increase in net assets	<u>\$ 1,077,649</u>	<u>\$ 1,120,120</u>

**DIOCESE OF PALM BEACH, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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

	As of June 30,	
	2017	2016
Assets:		
Cash and equivalents	\$ 10,753,442	\$ 17,691,073
Portfolio investments	94,035,829	74,637,144
Loans receivable and accruals	<u>38,695,179</u>	<u>40,263,281</u>
Total assets	<u>\$ 143,484,450</u>	<u>\$ 132,591,498</u>
Liabilities:		
Savings deposits – Diocesan entities	\$ 132,326,078	\$ 122,511,506
Accrued expenses	<u>17,580</u>	<u>16,849</u>
Total liabilities	132,343,658	122,528,355
Net assets	<u>11,140,792</u>	<u>10,063,143</u>
Total liabilities and net assets	<u>\$ 143,484,450</u>	<u>\$ 132,591,498</u>

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, 2017 and 2016:

	2017	2016
For the year:		
Guarantee of indebtedness adjustment	<u>\$ 708,340</u>	<u>\$ (30,857)</u>
Program revenue – administrative fee	<u>\$ 115,000</u>	<u>\$ 115,000</u>
Interest income on savings deposits	<u>\$ 305,992</u>	<u>\$ 297,124</u>
At year end:		
Assets –		
Savings Fund Trust deposits (included in cash and cash equivalents)	<u>\$ 20,688,768</u>	<u>\$ 19,475,222</u>
Liabilities –		
Guarantee of indebtedness reserve	<u>\$ 3,186,183</u>	<u>\$ 4,194,523</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, 2017.

**DIOCESE OF PALM BEACH, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 3 – Portfolio Investments**

A summary of portfolio investments, by investment type, at June 30, 2017 and 2016 follows:

	<u>2017</u>	<u>2016</u>
Marketable equity securities	\$ 24,187,895	\$ 22,112,307
U.S. government and mortgage-backed obligations	5,894,257	4,940,683
Corporate debt securities	6,335,717	6,436,038
Accrued interest and dividends receivable	<u>74,022</u>	<u>58,616</u>
Total	<u>\$ 36,491,891</u>	<u>\$ 33,547,644</u>

The following schedule summarizes the net investment return on portfolio investments for the years ended June 30, 2017 and 2016 and its classification in the statements of activities:

	<u>Year Ended June 30, 2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net investment income	\$ 17,306	\$ 127,961	\$ -	\$ 145,267
Realized gains, net	2,165,832	936,306	-	3,102,138
Unrealized losses, net	<u>(47,628)</u>	<u>(43,500)</u>	-	<u>(91,128)</u>
Net investment return	<u>\$ 2,135,510</u>	<u>\$ 1,020,767</u>	<u>\$ -</u>	<u>\$ 3,156,277</u>

  

	<u>Year Ended June 30, 2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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>(957,952)</u>
Net investment return (loss)	<u>\$ (132,083)</u>	<u>\$ 25,909</u>	<u>\$ -</u>	<u>\$ (106,174)</u>

Net investment return includes approximately \$208,000 and \$205,000 of investment expenses for the years ended June 30, 2017 and 2016, respectively.

**Note 4 – Receivables from Diocesan Entities**

Receivables from Diocesan entities are summarized as follows at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Diocesan services appeal	\$ 1,891,118	\$ 2,025,348
Self-insurance program billings, net of allowance (see Note 8)	<u>41,939</u>	<u>90,997</u>
	<u>\$ 1,933,057</u>	<u>\$ 2,116,345</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, 2017, as follows:

Pledges due:	
In less than one year	\$ 697,000
In one to five years	<u>297,000</u>
	994,000
Less: present value discount	<u>(14,250)</u>
	<u>\$ 979,750</u>

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

#### Note 6 – Fair Value Measurements

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, 2017 and 2016:

	2017			Total
	Level 1 Quoted prices in markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs	
<b>Investments:</b>				
Marketable equity securities	\$ 24,187,895	\$ -	\$ -	\$ 24,187,895
U.S. Government and mortgage-backed obligations	5,894,257	-	-	5,894,257
Corporate debt securities	6,335,717	-	-	6,335,717
Accrued interest and dividends	<u>-</u>	<u>74,022</u>	<u>-</u>	<u>74,022</u>
Total investments	<u>\$ 36,417,869</u>	<u>\$ 74,022</u>	<u>\$ -</u>	<u>\$ 36,491,891</u>
<b>Liabilities:</b>				
Annuities payable	<u>\$ -</u>	<u>\$ (67,353)</u>	<u>\$ -</u>	<u>\$ (67,353)</u>
	2016			
	Level 1: Quoted prices in markets for identical assets	Level 2: Significant other observable inputs	Level 3: Significant unobservable inputs	Total
<b>Investments:</b>				
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	<u>-</u>	<u>58,616</u>	<u>-</u>	<u>58,616</u>
Total investments	<u>\$ 33,489,028</u>	<u>\$ 58,616</u>	<u>\$ -</u>	<u>\$ 33,547,644</u>
<b>Liabilities:</b>				
Annuities payable	<u>\$ -</u>	<u>\$ (84,063)</u>	<u>\$ -</u>	<u>\$ (84,063)</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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Operating property and equipment:		
Land and land improvements	\$ 15,527,151	\$ 15,375,907
Buildings and improvements	14,594,907	14,679,637
Furniture and equipment	<u>2,373,880</u>	<u>2,450,915</u>
	32,495,938	32,506,459
Less: accumulated depreciation	<u>(8,479,636)</u>	<u>(8,179,186)</u>
Operating property and equipment, net	24,016,302	24,327,273
Construction in progress	121,302	-
Property held for sale	<u>467,654</u>	<u>467,654</u>
	<u>\$ 24,605,258</u>	<u>\$ 24,794,927</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, 2017 and 2016. Construction in progress consists of construction costs related to the Pastoral Center in Palm Beach Gardens, Florida.

**Note 8 – Self-Insurance Reserves**

The Diocese of Palm Beach maintains a self-insurance plan for property, general liability, workers' compensation, personal injury, 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 automobile 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, 2017 and 2016. 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, 2017 and 2016, the Diocese received \$11,823 and \$76,210, 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, 2017 and 2016 approximated \$280,000 and \$273,000, 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, 2017 and 2016 approximated \$245,000 and \$244,000, 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 \$868,000 and \$926,000 for the years ended June 30, 2017 and 2016, 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 in 2015 to \$567,650 as of June 30, 2016. As of June 30, 2017, the post-employment benefit obligation was \$591,631.

## 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, 2017 and 2016 includes the following:

	<u>2017</u>	<u>2016</u>
Event proceeds	\$ 412,860	\$ 384,139
Direct event expenses	<u>126,481</u>	<u>107,799</u>
Net	<u>\$ 286,379</u>	<u>\$ 276,340</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, 2017 and 2016.

#### 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, 2017 and 2016 totaled \$12,333 and \$12,033, 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, 2017, the cost and related accumulated depreciation of the Diocese ministry facility and improvements made thereto amounted to \$3,337,681 and \$267,859, 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, 2017 and 2016.

#### 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 \$218,531 as of June 30, 2017. 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Diocesan services appeal	\$ 1,891,118	\$ 2,025,348
Education and scholarships (endowment)	5,018,743	5,337,824
Seminarian	774,448	685,733
Program services (endowment)	3,713,431	2,773,021
Cemetery care deposits and earnings (Note 13)	<u>3,447,275</u>	<u>3,132,052</u>
	<u>\$ 14,845,015</u>	<u>\$ 13,953,978</u>

Permanently restricted net assets consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Seminary Burse Fund	\$ 5,665,288	\$ 4,778,888
Education Fund	<u>1,621,330</u>	<u>1,621,330</u>
	<u>\$ 7,286,618</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

The Diocese follows the State of Florida 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, 2017 are composed as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 8,732,174</u>	<u>\$ 7,286,618</u>	<u>\$ 16,018,792</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, 2017 follow:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance as of July 1, 2016	\$ -	\$ 8,110,845	\$ 6,400,218	\$ 14,511,063
Net investment return:				
Investment income	-	127,961	-	127,961
Net appreciation (realized and unrealized)	-	892,806	-	892,806
Total investment return	-	1,020,767	-	1,020,767
Interest income	-	95,256	-	95,256
Contributions, special events, cemetery care deposits	-	1,594,069	886,400	2,480,469
Appropriations for endowment expenditures	-	(2,088,763)	-	(2,088,763)
Balance as of June 30, 2017	\$ -	\$ 8,732,174	\$ 7,286,618	\$ 16,018,792

**Note 16 – Net Assets Released From Restrictions**

During the years ended June 30, 2017 and 2016, 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:

	2017	2016
Diocesan services appeal	\$ 8,866,498	\$ 8,761,387
Education and scholarships	734,376	1,260,430
Program services	513,685	917,245
Total	\$ 10,114,559	\$ 10,939,062

**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 \$341,863 and \$163,474 as of June 30, 2017 and 2016, respectively. In addition, balances held in uninsured investment cash accounts totaled \$22,787,852 and \$22,958,467 as of June 30, 2017 and 2016, respectively.

**Note 19 – Subsequent Events**

The Diocese evaluated its activities occurring subsequent to June 30, 2017 through November 7, 2017, 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, 2017**

	Operating Fund	Plant Fund	Self- Insurance Fund	Eliminating Entries	Total Combined
<b>ASSETS</b>					
Cash and cash equivalents	\$ 10,473,905	\$ -	\$ 12,763,043	\$ -	\$ 23,236,948
Portfolio investments	36,491,891	-	-	-	36,491,891
Receivables from Diocesan entities, net	1,891,118	-	41,939	-	1,933,057
Pledges receivable	979,750	-	-	-	979,750
Other receivables	15,798	-	-	-	15,798
Other current assets	81,901	-	1,484,544	-	1,566,445
Property and equipment, net	-	24,605,258	-	-	24,605,258
Due from funds	5,980,165	-	-	(5,980,165)	-
	<u>\$ 55,914,528</u>	<u>\$ 24,605,258</u>	<u>\$ 14,289,526</u>	<u>\$ (5,980,165)</u>	<u>\$ 88,829,147</u>
Total assets					
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 2,122,428	\$ 75,221	\$ 977,548	\$ -	\$ 3,175,197
Self-insurance reserves	-	-	758,618	-	758,618
Annuities payable	67,353	-	-	-	67,353
Post-employment benefit obligation	591,631	-	-	-	591,631
Guarantee of indebtedness reserve	3,186,183	-	-	-	3,186,183
Deferred revenue	26,453	-	-	-	26,453
Due to funds	-	5,980,165	-	(5,980,165)	-
	<u>5,994,048</u>	<u>6,055,386</u>	<u>1,736,166</u>	<u>(5,980,165)</u>	<u>7,805,435</u>
Total liabilities					
Net assets	<u>49,920,480</u>	<u>18,549,872</u>	<u>12,553,360</u>	<u>-</u>	<u>81,023,712</u>
Total liabilities and net assets	<u>\$ 55,914,528</u>	<u>\$ 24,605,258</u>	<u>\$ 14,289,526</u>	<u>\$ (5,980,165)</u>	<u>\$ 88,829,147</u>

**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
<b>ASSETS</b>					
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	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>
<b>LIABILITIES AND NET ASSETS</b>					
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 ACTIVITIES, BY FUND**  
**For the Year Ended June 30, 2017**

	Operating Funds	Plant Fund	Self- Insurance Fund	Eliminating Entries	Combined
<b>Support and revenue:</b>					
Diocesan services appeal	\$ 8,732,268	\$ -	\$ -	\$ -	\$ 8,732,268
Contributions and bequests	2,502,102	-	-	-	2,502,102
Cemetery care deposits	265,812	-	-	-	265,812
Program revenue	1,857,802	-	-	-	1,857,802
Self-insurance program revenue	-	-	5,230,908	-	5,230,908
Net investment return	3,156,277	-	-	-	3,156,277
Interest and dividend income	541,361	-	185,533	-	726,894
Special events, net	286,379	-	-	-	286,379
Rental income	204,130	-	-	-	204,130
Other income, net	2,717	218,395	11,322	-	232,434
Total support and revenue	<u>17,548,848</u>	<u>218,395</u>	<u>5,427,763</u>	<u>-</u>	<u>23,195,006</u>
<b>Expenses:</b>					
<b>Program services:</b>					
Bishop and pastoral leadership	1,325,911	-	-	-	1,325,911
Religious personnel development	1,641,072	-	-	-	1,641,072
Education and faith programs	2,719,583	-	-	-	2,719,583
Missions support	1,094,509	-	-	-	1,094,509
Social service programs	3,228,269	-	-	-	3,228,269
Total program services	10,009,344	-	-	-	10,009,344
<b>Supporting services:</b>					
Self-insurance program	-	-	5,518,330	-	5,518,330
Diocesan administration	3,272,006	-	-	-	3,272,006
Plant, facility, and construction management	793,183	1,047,615	-	-	1,840,798
<b>Total expenses</b>	<u>14,074,533</u>	<u>1,047,615</u>	<u>5,518,330</u>	<u>-</u>	<u>20,640,478</u>
Increase (decrease) in net assets before non-operating activities	3,474,315	(829,220)	(90,567)	-	2,554,528
Change in guarantee of indebtedness reserve	708,340	-	-	-	708,340
Change in post-employment benefit obligation	(23,981)	-	-	-	(23,981)
Increase (decrease) in net assets	4,158,674	(829,220)	(90,567)	-	3,238,887
Net assets, beginning of year	<u>45,761,806</u>	<u>19,379,092</u>	<u>12,643,927</u>	<u>-</u>	<u>77,784,825</u>
Net assets, end of year	<u>\$49,920,480</u>	<u>\$18,549,872</u>	<u>\$12,553,360</u>	<u>\$ -</u>	<u>\$ 81,023,712</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
<b>Support and revenue:</b>					
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
<b>Total support and revenue</b>	<u>15,250,267</u>	<u>11,599</u>	<u>5,565,115</u>	<u>(726,098)</u>	<u>20,100,883</u>
<b>Expenses:</b>					
<b>Program services:</b>					
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
<b>Total program services</b>	9,627,119	-	-	(141,845)	9,485,274
<b>Supporting services:</b>					
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
<b>Total expenses</b>	<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>