

**COMBINED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**THE CATHOLIC DIOCESE OF ST. AUGUSTINE  
JACKSONVILLE, FLORIDA**

**JUNE 30, 2019**

**COMBINED FINANCIAL STATEMENTS  
AND  
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**THE CATHOLIC DIOCESE OF ST. AUGUSTINE  
JACKSONVILLE, FLORIDA**

**JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

The Most Reverend Felipe de Jesus Estevez  
Bishop of The Catholic Diocese of St. Augustine  
Finance Council of The Catholic Diocese of St. Augustine  
Jacksonville, Florida

We have audited the accompanying financial statements of The Catholic Diocese of St. Augustine and affiliates (the Diocese), which comprise the combined statement of financial position as of June 30, 2019, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

### **Certified Public Accountants**

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

The Most Reverend Felipe de Jesus Estevez  
Bishop of The Catholic Diocese of St. Augustine  
Finance Council of The Catholic Diocese of St. Augustine  
Jacksonville, Florida

## INDEPENDENT AUDITOR'S REPORT

### Opinion

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

### Emphasis of a Matter

During the fiscal year ended June 30, 2019, the Diocese implemented Accounting Standards Update (ASU) No. 2016-14, *Not-for Profit, (Topic 958), Presentation of Financial Statements for Not-for-Profit Entities*. The ASU significantly amends the standards for the presentation and accompanying disclosures of the financial statements of non-profit organizations. Our opinion is not modified with respect to this matter.

### Report on Summarized Comparative Information

We have previously audited the Diocese's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it was derived.



November 12, 2019  
Ocala, Florida

**COMBINED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019,**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2018**  
**THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**

**ASSETS**

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 9,664,312	\$ 12,474,252
Investments	47,171,720	45,910,636
Receivables:		
Parishes, Other Institutions, and Individuals	6,923,152	10,024,986
Savings and Loan - Loans Receivable	22,016,956	23,965,216
Total Receivables	28,940,108	33,990,202
Land, Buildings, and Equipment, at Cost Less Accumulated Depreciation	58,223,411	35,588,290
Other Assets	2,973,851	1,390,193
<b>Total Assets</b>	<b>146,973,402</b>	<b>129,353,573</b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	7,025,242	6,677,270
Savings and Loan - Deposits Payable	44,098,654	42,195,073
Notes Payable	16,393,142	3,757,861
Deferred Revenue	3,582,914	3,043,985
Escrow	189,323	635,058
<b>Total Liabilities</b>	<b>71,289,275</b>	<b>56,309,247</b>
<b>Net Assets</b>		
Net Assets Without Donor Restrictions	72,603,103	70,034,050
Net Assets With Donor Restrictions	3,081,024	3,010,276
<b>Total Net Assets</b>	<b>75,684,127</b>	<b>73,044,326</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 146,973,402</b>	<b>\$ 129,353,573</b>

See accompanying notes.

**COMBINED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019,  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018  
THE CATHOLIC DIOCESE OF ST. AUGUSTINE  
JACKSONVILLE, FLORIDA**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total 2019</b>	<b>2018</b>
<b>Support and Revenues</b>				
Contributions and Diocesan Assessments	\$ 13,277,268	\$ 1,089,662	\$ 14,366,930	\$ 14,007,883
School Tuition	3,966,394	-	3,966,394	1,228,738
Sales Revenue	528,936	-	528,936	670,621
Investment Income	5,467,913	-	5,467,913	3,013,463
Insurance Program	19,181,695	-	19,181,695	15,975,483
Program Services	2,111,827	-	2,111,827	1,457,968
Grants	242,004	-	242,004	165,434
Other Revenue	2,058,792	-	2,058,792	8,481,400
<b>Total Support and Revenues</b>	<b>46,834,829</b>	<b>1,089,662</b>	<b>47,924,491</b>	<b>45,000,990</b>
<b>Releases from Restrictions</b>	<b>1,018,914</b>	<b>(1,018,914)</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>				
Program Expenses:				
Pastoral Services	5,578,617	-	5,578,617	6,086,720
Priests and Seminarians Education	8,621,832	-	8,621,832	7,989,793
Health and Social Services	1,598,765	-	1,598,765	1,233,091
Insurance Program	20,603,698	-	20,603,698	17,974,266
Other Diocesan Operations	3,852,890	-	3,852,890	6,180,760
Total Program Expenses	40,255,802	-	40,255,802	39,464,630
Management and General Fundraising	4,837,250	-	4,837,250	2,104,696
	1,347,339	-	1,347,339	20,945
<b>Total Expenses</b>	<b>(46,440,391)</b>	<b>-</b>	<b>(46,440,391)</b>	<b>(41,590,271)</b>
<b>Change in Net Assets from Operations</b>	<b>1,413,352</b>	<b>70,748</b>	<b>1,484,100</b>	<b>3,410,719</b>
<b>Non-Operational Revenues and Expenses</b>				
(Loss)/Gain on Sale of Assets	873,921	-	873,921	1,110,605
Transfer from Related Entities	281,780	-	281,780	-
<b>Total Non-Operational Revenues and Expenses</b>	<b>1,155,701</b>	<b>-</b>	<b>1,155,701</b>	<b>1,110,605</b>
<b>Change in Net Assets</b>	<b>2,569,053</b>	<b>70,748</b>	<b>2,639,801</b>	<b>4,521,324</b>
<b>Net Assets, Beginning of Year</b>	<b>70,034,050</b>	<b>3,010,276</b>	<b>73,044,326</b>	<b>68,523,002</b>
<b>Net Assets, End of Year</b>	<b>\$ 72,603,103</b>	<b>\$ 3,081,024</b>	<b>\$ 75,684,127</b>	<b>\$ 73,044,326</b>

See accompanying notes.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019  
THE CATHOLIC DIOCESE OF ST. AUGUSTINE  
JACKSONVILLE, FLORIDA**

	Pastoral Services	Priests, Seminarians, and Education	Health and Social Services	Insurance Program	Other Operations	Management and General	Fundraising and Development	Total
<b>Expenses</b>								
Salaries	\$ 2,166,161	\$ 3,176,143	\$ 504,542	\$ 108,515	\$ 1,495,810	\$ 869,368	\$ 353,602	\$ 8,674,141
Payroll Taxes and Benefits	392,628	955,263	120,918	239,507	914,908	269,574	77,537	2,970,335
Total Salaries and Related Expenses	2,558,789	4,131,406	625,460	348,022	2,410,718	1,138,942	431,139	11,644,476
Client Services	281,049	28,707	1,669	-	352,954	-	1,071	665,450
Subsidies to Parishes, Schools and Related Entities	110,796	1,020,000	818,424	252,113	50,656	-	-	2,251,989
Programs and Events	340,926	977,319	11,677	(1,905)	569,594	10,374	17,597	1,925,582
Donations	34,264	344,123	-	-	-	22,945	-	401,332
Licenses, Dues, and Fees	14,442	8,588	3,544	18,838	4,381	185,502	8,739	244,034
Information Technology	-	159,612	-	10,618	-	365,519	42,709	578,458
Insurance Expense	183,395	67,680	844	19,112,993	15,901	108,847	2,562	19,492,222
Legal and Professional	83,323	76,588	-	-	42,963	890,600	-	1,093,474
Travel	70,464	89,134	27,917	15,596	47,515	45,611	2,962	299,199
Meals	9,878	5,701	3,696	251	13,357	2,928	57	35,868
Provision for Loan Loss	(19,823)	(33,732)	-	(62,736)	12,706	100,054	-	(3,531)
Supplies	139,480	240,971	27,798	1,704	36,154	40,864	7,352	494,323
Repairs and Maintenance	555,691	127,149	4,599	175	44,858	225,668	-	958,140
Rent	99,746	416	31,082	1,188	35,460	5,654	-	173,546
Utilities	238,865	126,398	1,944	-	27,509	140,012	-	534,728
Interest Expense	17,241	227,905	-	11,529	-	780,718	-	1,037,393
Advertising	12,550	-	-	-	-	121,081	-	133,631
Fundraising and Development	90,987	-	-	-	-	-	815,384	906,371
Other Expenses	604,184	649,652	40,111	895,312	188,164	314,244	17,767	2,709,434
Depreciation	152,370	374,215	-	-	-	337,687	-	864,272
<b>Total Expenses</b>	<b>\$ 5,578,617</b>	<b>\$ 8,621,832</b>	<b>\$ 1,598,765</b>	<b>\$ 20,603,698</b>	<b>\$ 3,852,890</b>	<b>\$ 4,837,250</b>	<b>\$ 1,347,339</b>	<b>\$ 46,440,391</b>

See accompanying notes.

**COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019,  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018  
THE CATHOLIC DIOCESE OF ST. AUGUSTINE  
JACKSONVILLE, FLORIDA**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 2,639,801	\$ 4,521,324
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	864,272	596,920
Loss/(Gain) on Disposal of Assets	(873,921)	(1,366,855)
(Increase) Decrease in:		
Receivables, Net	4,901,607	(1,314,544)
Other Assets	(1,583,658)	(6,614)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	347,972	3,874,614
S&L Deposits Payable	1,903,581	1,456,728
Deferred Revenue	538,929	50,815
Escrow	(445,735)	475,032
<b>New Cash Provided by (Used in) Operations</b>	<b>8,292,848</b>	<b>8,287,420</b>
<b>Cash Flows from Investing Activities</b>		
Purchase/Sale of Investments, Net	(1,261,084)	(4,778,244)
Proceeds from Sale of Fixed Assets	1,132,552	1,500,000
Purchase of Land, Buildings, and Equipment	(16,554,976)	(4,966,822)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(16,683,508)</b>	<b>(8,245,066)</b>
<b>Cash Flows from Financing Activities</b>		
Principal Repayment of Notes Payable	(1,913,489)	(1,188,529)
Debt Proceeds	7,494,209	4,359,247
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>5,580,720</b>	<b>3,170,718</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(2,809,940)</b>	<b>3,213,072</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>12,474,252</b>	<b>9,261,180</b>
<b>Cash and Cash Equivalents - Ending of Year</b>	<b>\$ 9,664,312</b>	<b>\$ 12,474,252</b>
<b><u>Supplemental Disclosure of Cash Flow Information</u></b>		
Cash Paid for Interest	<b>\$ 326,499</b>	<b>\$ 149,135</b>

See accompanying notes.

**NOTES TO COMBINED FINANCIAL STATEMENTS  
THE CATHOLIC DIOCESE OF ST. AUGUSTINE  
JACKSONVILLE, FLORIDA**

**Note 1 - Summary of Significant Accounting Policies**

**Organization**

The Catholic Diocese of St. Augustine (the Diocese) is a corporation sole recognized under the common-law doctrine by the State of Florida. There are no stockholders, directors, or officers in the Diocese. The Diocese is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministries throughout North Florida. The Diocese is supported primarily through contributions and school tuition.

**Program Information**

- **Pastoral Services** - programs that support the needs of the faithful in many areas, such as Youth and Young Adult Ministry, Christian and Ministry Formation, Family Life, Human Life and Dignity, and Diocesan Cemeteries.
- **Priests, Seminarians, and Education** - provides for Vocations to the priesthood, seminarians, ongoing education for clergy, and catholic education.
- **Health and Social Services** - provides support for Catholic Charities and other programs to promote social, justice, and multicultural issues.
- **Insurance Program** - diocesan-wide property, general liability, worker's compensation, unemployment, and employee medical insurance.
- **Other Diocesan Operations** - activities that support other areas of diocesan operations, such as Tribunal, Communications, Shared Services, and Archives.

**Basis of Financial Statement Presentation**

The combined financial statements include the assets, liabilities, net assets, and financial activities of the Central Financial Office, Savings and Loan Trust (S&L), Providence Center, Morning Star School, Mission of Nombre De Dios, and Early Learning Centers of St. Anne, St. John Paul II, Christ the King, and St. Therese. These entities are fiscally responsible to the Bishop of the Diocese and have not been separately incorporated. All significant transactions among entities included in the combined financial statements have been eliminated.

The accompanying financial statements exclude the assets, liabilities, net assets, and financial activity of the individual parishes, schools, Catholic Foundation of the Diocese of St. Augustine, assisted living facilities, various Diocesan employee benefit plans, and other organizations separately incorporated and authorized to operate independently. In addition, various Catholic religious orders, lay societies, and religious organizations, which operate within the Diocese and are not fiscally responsible to the Bishop, have not been included in the accompanying financial statements.

Financial statement presentation follows *Accounting Codification Standards (ACS) 958-205, Financial Statements of Not-For-Profit Organizations*. Under ACS 958-205, the Central Financial Office is required to report information regarding its financial position and activities as follows:

- **Net Assets Without Donor Restrictions**  
Net assets without donor restrictions represent resources derived from unrestricted contributions and regular operating revenues. These resources are used for transactions related to the general operation of the Diocese, and may be used at the discretion of the Bishop to meet current expenses for any purpose.

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**

■ **Net Assets With Donor Restrictions**

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Diocese and/or the passage of time. When a restriction expires, with donor restriction assets are reclassified to without donor restrictions, and reported in the statement of activities as net assets released from restrictions.

**Basis of Accounting**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Cash and Cash Equivalents**

Cash and cash equivalents are comprised of checking and savings accounts, certificates of deposit, and money market accounts all subject to immediate withdrawal or with maturities of less than ninety days for reporting and cash flow purposes.

The Diocese places its cash and cash equivalents in financial institutions that are federally insured for \$250,000 under the Federal Deposit Insurance Corporation (FDIC). At June 30, 2019, the aggregate balances were in excess of the insurance and, therefore, bear some risk since they are not collateralized. The Diocese has not experienced any losses on its cash or cash equivalents to date as related to the FDIC insurance limits.

**Investments**

Investments are professionally managed and represent corporate securities, mutual funds, and bonds reported at quoted market value at year-end. Increases or decreases in market value are reported as funds provided or expended.

**Savings and Loan Fund**

Accounts for the deposits and loans are made in the cooperative investment and lending program for the mutual benefit of the parishes and other organizations in the Diocese. Interest is paid to parishes quarterly on their deposits. Rates are reviewed quarterly and as of June 30, 2019, the rates were 1.50%. Interest is charged quarterly on loans made to parishes and others at rates up to 5% per annum for varying lengths of maturity. Loans receivable as of June 30, 2019, was \$22,016,956. Deposits payable as of June 30, 2019, was \$44,098,654.

The allowance for uncollectible loans is determined based on a review of the loan and balances and the financial condition of the related parishes and other organizations and is considered adequate to cover possible uncollectible loans at June 30, 2019.

**Accounts Receivable - Parishes and Other Institutions**

Accounts receivable from Parishes and other institutions include funds advanced by the Diocese in support of the Parishes' short-term loan needs, assessments levied but not yet paid, insurance premiums for the current policy year, and pledges to the Bishop's Annual Appeal, Guardian Schools, and capital campaigns. The allowance for uncollectible accounts is based on historical data of collectability of revenue types.

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**

**Land, Buildings, and Equipment**

Land, buildings, and equipment acquisitions in excess of \$5,000 are capitalized at cost or, if acquired by gift, at fair market value at time of donation. The Diocese does not imply a time restriction on gifts of long-lived assets received.

Depreciation of buildings and equipment is provided over the estimated useful lives (ranging from 5 to 60 years) of the respective assets on a straight-line basis.

**Deferred Revenue**

Deferred revenue consists of insurance premium payments received in advance that relate to services to be rendered in a future period and are deferred and recognized as revenue in the period earned.

**Restricted and Unrestricted Revenue and Support**

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

Student tuition and fees are recorded as revenue earned. Advance collections of tuition and fees are deferred until the period in which earned.

**Allocation of Expenses**

The costs of providing various programs and supporting activities of the Central Financial Office have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities.

**Functional Expenses**

Directly identifiable expenses are charged to programs and supporting services. Insurance expenses are allocated based on the value of the property held by the program. Management and General Expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Diocese.

**Donated Services**

The Diocese receives donated services for various ministries throughout the year. There is no clearly measurable basis to value these contributed services, the value of such services is not recorded in the accompanying financial statements.

**Income Taxes**

The Diocese is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service (IRS), in a 1946 group ruling, exempted all organizations listed in the Official Catholic Directory. The IRS has reaffirmed the group ruling annually. Accordingly, no provision for income tax is required.

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**

Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by the Diocese and recognize a tax liability if it has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Diocese and has concluded as of June 30, 2019, there were no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Diocese is subject to U.S. Federal and State income tax examinations for the previous three years.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, primarily related to the collectability of receivables and the depreciable lives of buildings and improvements that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Risks and Uncertainties**

The Diocese invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the *near-term* and such changes could materially affect the amounts reported in the balance sheet.

**Prior Period Information**

The financial statements include certain prior year summarized comparative information in total but not by fund classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Central Financial Office's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**Adoption of a New Accounting Standard**

During the fiscal year ended June 30, 2019, the Diocese implemented Accounting Standards Update (ASU) No. 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), which supersedes accounting standards that previously existed under U.S. generally accepted accounting principles, and aimed to improve current net asset classification requirements and the information presented in the financial statements and notes about the Diocese liquidity, financial performance, and cash flows. These standards are intended to provide information that is more useful to donors, grantors, and other users of the financial statements.

**Note 2 - Liquidity and Availability of Financial Assets**

The following reflects the Diocese financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions. Amounts available include current assets available for expenditure in the following year. Amounts not available include items such as pledges receivable with a specified purpose, restricted net assets, amounts held in escrow, deposits payable and revenue received in advance and not available for general purposes.

**NOTES TO COMBINED FINANCIAL STATEMENTS  
THE CATHOLIC DIOCESE OF ST. AUGUSTINE  
JACKSONVILLE, FLORIDA**

Financial Assets at Year-End*	\$ 85,776,140
Less Those Unavailable for General Expenditures Within One Year Due to:	
Contractual or Donor Imposed Restrictions:	
Restricted by Donor with Time or Purpose Restrictions	(52,982,235)
<b>Financial Assets Available to Meet Cash Needs for Expenditures Within One Year</b>	<u>\$ 32,793,905</u>

(\*Total assets, less non-financial assets (i.e. property and equipment, prepaids, inventory and other non-liquid assets).

**Note 3 - Investments**

Investments as of June 30, 2019, are summarized as follows:

	<b>Cost</b>	<b>Fair Value</b>
Money Markets	\$ 675,246	\$ 675,246
Bonds: Corporate and U.S. Agencies	22,038,653	22,422,877
Equities	5,658,108	6,085,424
Mutual Funds – Equities	9,059,959	9,059,959
Mutual Funds – Bonds	8,910,352	8,895,017
ETF	34,133	33,197
<b>Total</b>	<u>\$ 46,376,451</u>	<u>\$ 47,171,720</u>

Investment earnings consisted of the following for the year ended June 30, 2019:

Interest Income	\$ 3,433,347
Net Realized and Unrealized Gains (Losses)	2,034,566
<b>Total</b>	<u>\$ 5,467,913</u>

**Note 4 - Fair Value Measurements**

Authoritative guidance establishes a framework for measuring fair value. That framework provides 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). The three levels of the fair value hierarchy are described below:

- **Level 1**—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Diocese has the ability to access.
- **Level 2**—Inputs to the valuation methodology include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in inactive markets; 3) inputs other than quoted prices that are observable for the assets; and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- **Level 3**—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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At June 30, 2019, the Diocese's marketable U.S. debt, corporate debt, and corporate equity securities were its only financial instruments required to be recorded at fair value. These securities were valued based upon the closing price reported on the active market on which the individual securities are traded or upon quoted market prices for similar assets in active markets.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Diocese believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of this financial instrument could result in a different fair value measurement at the reporting date.

	Market Value	Fair Value Measurement at June 30, 2019		
		Level 1	Level 2	Level 3
Money Market	\$ 675,246	\$ 675,246	\$ -	\$ -
Bonds: Corporate and U.S. Agencies	22,422,877	-	22,422,877	-
Equities	6,085,424	6,085,424	-	-
Mutual Funds - Equities	9,059,959	9,059,959	-	-
Mutual Funds - Bonds	8,895,017	8,422,311	472,706	-
ETF	33,197	33,197	-	-
<b>Total</b>	<b>\$ 47,171,720</b>	<b>\$ 24,276,137</b>	<b>\$ 22,895,583</b>	<b>\$ -</b>

**Note 5 - Receivables, Parishes, and Other Institutions**

Loans receivable in the Savings and Loan fund include \$22,016,956 of loans made to parishes and schools. Other Diocesan receivables include \$7,071,639 of loans made to other organizations or donor pledges to provide funding for capital projects and in some cases for operational expenses. The loans accrue interest at rates up to 5% per annum at varying lengths of maturity.

At June 30, 2019, the receivables consisted of the following categories:

Parish and Related	\$ 24,820,894
Assessments and Premiums	3,395,982
Tuition Receivables	66,113
Pledges - Bishops Annual Stewardship Appeal	711,043
Pledges - Guardian of Dreams - Operations	792,829
Pledges - Guardian of Dreams - Capital Campaign	1,158,989
Pledges - Morning Star	296,323
Accrued Interest Receivable	708,268
Mission of Nombre De Dios - Customer Receivables	45,613
	<u>31,996,054</u>
Allowances for Doubtful Accounts	(3,002,689)
Discount to Present Value	(53,257)
<b>Total</b>	<b>\$ 28,940,108</b>

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**Pledges Receivable**

Pledges receivable listed above represent unconditional promises to give and are due as follows at June 30, 2019:

Due in Less than One Year	\$ 1,947,520
Due Between One and Five Years	661,664
Due in Greater than Five Years	<u>350,000</u>
	2,959,184
Discounts to Present Value at 2.00%	<u>(53,257)</u>
<b>Total</b>	<b><u>\$ 2,905,927</u></b>

**Note 6 - Land, Buildings, and Equipment**

At June 30, 2019, fixed assets consisted of the following:

Land	\$ 25,662,957
Buildings and Improvements	32,989,792
Furnishings and Equipment	4,029,180
Construction in Progress	<u>8,213,818</u>
	70,895,747
(Less Accumulated Depreciation)	<u>(12,672,336)</u>
<b>Total</b>	<b><u>\$ 58,223,411</u></b>

Depreciation expense was \$864,272 for the year ended June 30, 2019.

**Note 7 - Notes Payable**

The Diocese has a revolving, unsecured working capital line of credit priced at LIBOR + 1.65% with an available balance of \$1,600,000 and an outstanding balance of \$0 at June 30, 2019.

Long-term debt at June 30, 2019, consists of the following:

	<u>Balance Owed</u>	<u>Current Portion</u>
Note Payable, Guardian Construction, 3.00%, \$13,895 Monthly Principal and Interest, with a Balloon payment of \$1,506,988 in December 2021	\$ 1,215,430	113,786
Master Loan, Phase II Mission Nombre de Dios Improvement Project, with a Maximum Loan Available of \$5,700,000, Interest Rate is LIBOR + 1.60% Annual Principal Payments of \$500,000 are Due Beginning February 2020 with the Remaining Balance Due February 2023	5,071,209	500,000
Capital Lease, Mission Nombre de Dios, 4.00% \$227 Monthly Principal and Interest, with a \$1 Purchase Option after the 60 Month Term	1,503	1,503
Note Payable to Parish, Christ the King ELC, 0.00% Interest, \$10,000 Monthly Principal with a 30 Year Term	3,550,000	120,000
Note Payable, St. Anne's ELC Construction Loan, 5.20%, Monthly Payments of \$55,009.41, Interest only for the First 12 months, then Principal and Interest, with the Final Payment Due October 2033	<u>6,555,000</u>	<u>216,091</u>
<b>Total</b>	<b><u>\$ 16,393,142</u></b>	<b><u>\$ 951,380</u></b>

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**Note 8 - Priests' and Lay Employees' Benefit Plans**

The Diocese participates in non-contributory, defined benefit pension plans administered by the Diocese for qualifying lay employees and Diocesan priests employed at the various parishes, schools, and agencies throughout the entire Diocese. For the purposes of the combined financial statements, these pension plans are considered to be multi-employer plans as defined under ASC 715, *Compensation-Retirement Benefits*, because financial activity of parishes and other entities of the Diocese that contribute to these plans, is not included in these combined financial statements. There are no separate valuations of plan benefits or segregation of plan assets specifically for the individual entities participating in the plan. The plans are not subject to Employee Retirement Income Security Act of 1974 funding requirements.

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers; and c) if the Diocese chooses to stop participating in one of its multi-employer plans, it may be required to pay a withdrawal liability to the plan. Neither plan has implemented or has pending any funding improvement plans or rehabilitation plans nor the Diocese has not been required to pay any surcharges to the plan and does not have future minimum funding requirements.

The Defined Benefit Pension Plan for the Priests of the Diocese of St. Augustine (the Priests' Plan) covers the priests of the Diocese who have completed one year of service and are at least 25 years old. Vesting is 6% after nine years of service, and increases 6% for every year of service thereafter. However, participants are 100% vested after attaining age 65 and completing at least nine years of service. The Diocese's funding policy is to make contributions at a fixed amount of \$9,000 per priest per year, which meets the minimum actuarially computed scheduled contribution requirements. Contributions are intended to provide not only for benefits attributed to service to-date, but also for those expected to be earned in the future. The pension expense for the Diocese's combined financial statements for the Priests' Plan is based on payroll costs and was \$226,680 for 2019. The Diocese contributed 54% of total contributions to the Priests' Plan by all Diocesan entities, including parishes, schools, and affiliated entities.

The Defined Benefit Pension Plan of the Diocese of St. Augustine (the Lay Plan) provides benefits based primarily on compensation and employee's years of service. Vesting is 100% upon completion of five years of service or upon attaining age 65. The Diocese's funding policy is to make contributions at a level percentage of salary that meets the actuarially computed scheduled contribution, currently 8.25% of the employees' annual salary. Contributions are intended to provide not only for benefits attributed to service to-date, but also for those expected to be earned in the future. The pension for the Diocese combined financial statements for the Lay Plan is based on payroll costs and was \$405,557 for 2019. The Diocese contributed 9% of total contributions to the plan by all Diocesan entities, including parishes, schools, and affiliated entities.

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The following presents information about the Diocese’s multi-employer pension plans from the most recently available actuarial reports as of June 30, 2019:

<u>Plan Name</u>	<u>Priests’ Plan</u>	<u>Lay Plan</u>
Employer Number	010-379-B	013-200-G
	<u>2019</u>	<u>2019</u>
Fair Value Assets	\$ 12,814,552	\$ 105,230,472
Projected Benefit Obligation	(17,965,750)	(136,882,377)
Unfunded Projected Benefit Obligation	(5,151,198)	(31,651,905)
Funded Status	60%-80%	60%-80%

**Note 9 - Self-Insurance**

The Diocese is self-insured for property and general liability, workers’ compensation, unemployment compensation insurance, and employee group insurance. The Diocese assess each participating parish, school and related entity their share of the estimated cost of claims, administration fees, and premiums for excess insurance coverage and anticipated reserve requirements. Any excess of assessments over actual losses is retained by the Diocese to cover future program years.

A reserve for insurance losses of \$1,478,705 has been recorded for claims incurred but not reported. The amount of reserve is estimated based on an actuarial valuation of losses. Any adjustments to the reserve are reflected in the provision for insurance losses in the year such adjustments occur.

**Employee Group Insurance**

Substantially all employees of the Diocese and affiliated parishes, schools and related entities are provided health benefits through an insurance plan administered by the Diocese. Premiums, recorded within insurance premium revenue in the accompanying statement of activities, are billed monthly to participating entities for the estimated share of costs. As part of this self-insurance program, the Diocese purchases excess insurance coverage from outside insurance carriers.

**Property, General, Worker’s Compensation, and Loss Sharing Agreement**

The self-insurance plan for property, general liability, and workers’ compensation participates in an aggregate excess loss sharing arrangement (sharing arrangement) with three other dioceses in the State of Florida. Each participating diocese is assigned a loss fund which represents the maximum amount of losses the diocese will be responsible for in any one claim year. The loss sharing agreement provides that each diocese will be reimbursed by the other participants for the aggregate losses during the claim year in excess of the loss fund. Reimbursements are collected from the other dioceses based on their proportionate share of the total loss fund. Once the total loss fund has been depleted, additional claims are recoverable from an outside carrier from which excess insurance coverage was purchased. The purpose of the loss sharing agreement is to protect the participating dioceses from exceptionally large or catastrophic losses.

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**Note 10 - Contingencies and Other Commitments**

**Guarantee**

The Diocese is contingently liable for several mortgages obtained on behalf of certain parishes totaling \$15,185,878 as of June 30, 2019.

**Litigation**

The Diocese, along with the entities fiscally responsible to the Bishop of The Catholic Diocese of St. Augustine, is involved in legal proceedings from time to time. Legal counsel has advised the Diocese that the potential loss resulting from any current proceedings will fall within the insurance coverage limits.

**Note 11 - Net Assets With Donor Restriction**

Net assets with donor restrictions consist of the following at June 30, 2019:

Education and Missionary Burse	\$ 1,502,214
Guardian Schools Campaign Fund	1,347,605
Cemetery	12,698
Morning Start Capital Fund	<u>218,507</u>
<b>Total</b>	<b><u>\$ 3,081,024</u></b>

**Note 12 - Related-Party Transactions**

During the year ended June 30, 2019, the Central Financial Office transferred \$1,690,537 to various related parties to supplement their budget, including Catholic Charities, various Catholic schools, and other Diocesan ministries.

The Diocese also has deposits and loans in the S&L as disclosed in Note 1, loans to related entities as disclosed in Notes 5, administers the self-insurance programs as disclosed in Note 9, and has guaranteed loans for related parties, which are disclosed as contingent liabilities in Note 10.

**Note 13 - Subsequent Events**

The Diocese evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 12, 2019, the date the financial statements were available to be issued.