

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**CENTRAL FINANCIAL OFFICE OF THE  
CATHOLIC DIOCESE OF ST. AUGUSTINE**

**JACKSONVILLE, FLORIDA**

**JUNE 30, 2018**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**CENTRAL FINANCIAL OFFICE OF THE  
CATHOLIC DIOCESE OF ST. AUGUSTINE**

**JACKSONVILLE, FLORIDA**

**JUNE 30, 2018**

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## INDEPENDENT AUDITORS' REPORT

Most Reverend Felipe J. Estevez,  
Bishop of St. Augustine and  
Finance Council of the Catholic Diocese of St. Augustine  
Jacksonville, Florida

We have audited the accompanying financial statements of the Central Financial Office of the Catholic Diocese of St. Augustine (the Central Office), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of 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 risk 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 Diocese'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 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 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 the Central Financial Office as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Certified Public Accountants

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

Most Reverend Felipe J. Estevez,  
Bishop of St. Augustine and  
Finance Council of the Catholic Diocese of St. Augustine  
Jacksonville, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

**Report on Summarized Comparative Information**

We have previously audited the Central Office's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it was derived.

*Durvis, Gray and Company, LLP*

November 19, 2018  
Ocala, Florida

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018,**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2017**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**

**ASSETS**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 6,032,323	\$ 8,145,271
Investments	30,583,516	22,665,944
Receivables, Net	9,394,715	7,050,576
Prepays and Inventory	863,272	789,496
Land, Buildings, and Equipment, Net	28,811,454	28,289,512
Other Assets	452	1,776
<b>Total Assets</b>	<b>75,685,732</b>	<b>66,942,575</b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	5,594,651	2,392,836
Loans Payable to Parishes and Other Diocesan Institutions	7,511,105	6,606,145
Notes Payable	2,580,861	583,189
Deferred Revenue	3,016,488	2,966,254
Escrow	635,058	160,026
<b>Total Liabilities</b>	<b>19,338,163</b>	<b>12,708,450</b>
<b>Net Assets</b>		
Unrestricted	53,862,058	50,084,525
Temporarily Restricted	2,485,511	4,149,600
<b>Total Net Assets</b>	<b>56,347,569</b>	<b>54,234,125</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 75,685,732</b>	<b>\$ 66,942,575</b>

See accompanying notes.

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018,**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2017**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total 2018</b>	<b>Total 2017</b>
<b>Changes in Net Assets</b>				
<b>Support and Revenue</b>				
Contributions and Diocesan				
Assessments	\$ 13,359,599	\$ 0	\$ 13,359,599	\$ 15,635,318
Investment Income	1,226,334	1,051	1,227,385	675,401
Insurance Program	16,095,917	0	16,095,917	4,374,947
Program Services	1,235,960	0	1,235,960	1,242,253
Grants	165,434	0	165,434	200,675
Other Income	8,363,409	0	8,363,409	3,787,227
<b>Total Support and Revenue</b>	<b>40,446,653</b>	<b>1,051</b>	<b>40,447,704</b>	<b>25,915,821</b>
<b>Released from Restrictions</b>	<b>1,665,140</b>	<b>(1,665,140)</b>	<b>0</b>	<b>0</b>
<b>Expenses</b>				
Program Expenses:				
Pastoral Services	6,086,720	0	6,086,720	5,744,737
Priests, Seminarians, and Education	6,643,494	0	6,643,494	9,607,096
Health and Social Services	1,233,091	0	1,233,091	1,570,464
Insurance Program	17,974,266	0	17,974,266	4,995,589
Other Diocesan Operations	4,030,724	0	4,030,724	5,099,459
Total Program Expenses	35,968,295	0	35,968,295	27,017,345
Management and General	1,875,675	0	1,875,675	1,402,764
Fundraising	18,063	0	18,063	0
<b>Total Expenses</b>	<b>(37,862,033)</b>	<b>0</b>	<b>(37,862,033)</b>	<b>(28,420,109)</b>
<b>Operating Income</b>	<b>4,249,760</b>	<b>(1,664,089)</b>	<b>2,585,671</b>	<b>(2,504,288)</b>
<b>Non-operational Revenues and Expenses</b>				
Gain/(Loss) on Sale of Fixed Assets	1,366,855	0	1,366,855	1,254,767
Transfer to Related Entity	(1,839,082)	0	(1,839,082)	0
<b>Total Non-operational Revenues and Expenses</b>	<b>(472,227)</b>	<b>0</b>	<b>(472,227)</b>	<b>1,254,767</b>
<b>Increase/(Decrease) in Net Assets</b>	<b>3,777,533</b>	<b>(1,664,089)</b>	<b>2,113,444</b>	<b>(1,249,521)</b>
<b>Net Assets, Beginning of Year</b>	<b>50,084,525</b>	<b>4,149,600</b>	<b>54,234,125</b>	<b>55,483,646</b>
<b>Net Assets, End of Year</b>	<b>\$ 53,862,058</b>	<b>\$ 2,485,511</b>	<b>\$ 56,347,569</b>	<b>\$ 54,234,125</b>

See accompanying notes.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018,**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2017**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 2,113,444	\$ (1,249,521)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	330,470	364,821
Loss/(Gain) on Disposals	(1,366,855)	(1,254,767)
Transfer of Assets to Related Entity	1,839,082	0
(Increase) Decrease in:		
Receivables, Net	(2,344,139)	3,954,790
Prepays and Inventory	(73,776)	(156,977)
Other Assets	1,324	21,932
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	3,201,815	(247,365)
Deferred Revenue	50,234	(207,856)
Escrow	475,032	(48,205)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>4,226,631</u>	<u>1,176,852</u>
<b>Cash Provided by (Used in) Investing Activities</b>		
Proceeds from Sale of Fixed Assets	1,500,000	1,288,320
Purchase/Sale of Investments, Net	(7,917,572)	225,895
Purchase of Land, Buildings and Equipment	(2,824,639)	(2,279,479)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>(9,242,211)</u>	<u>(765,264)</u>
<b>Cash Flows from Financing Activities</b>		
Principal Repayments of Loans and Notes Payable	(1,445,391)	(1,145,228)
Debt Proceeds	4,348,023	3,569,848
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>2,902,632</u>	<u>2,424,620</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(2,112,948)	2,836,208
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>8,145,271</u>	<u>5,309,063</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 6,032,323</u>	<u>\$ 8,145,271</u>
<b><u>Supplemental Disclosures of Cash Flow Information</u></b>		
Cash Paid for Interest	<u>\$ 147,740</u>	<u>\$ 172,926</u>
Transfer of Property to Related Party	<u>\$ 1,839,082</u>	<u>\$ 0</u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS**  
**CENTRAL FINANCIAL OFFICE OF 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 ministry throughout North Florida. The Diocese is supported primarily through contributions.

**Basis of Financial Statement Presentation**

The Central Financial Office of the Catholic Diocese of St. Augustine (the Central Office) provides certain administrative functions for the Diocese. Included in these financial statements are the assets, liabilities, net assets, and financial activities of the funds, ministries, and offices of the Diocese that are fiscally responsible to the Bishop of the Catholic Diocese of St. Augustine and are under the operational control of the Central Office. The Central Office includes all the central departments and offices of the Diocese, including administrative support services, education and formation, and Diocesan self-insurance, among others. All significant transactions among entities and funds included in these 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, Diocesan Savings and Loan Trust, Providence Center, Diocesan Cemeteries, various Diocesan employee benefit plans, and other organizations authorized to operate independently. Each of these affiliated entities, although ultimately responsible to the Bishop, is an operating entity distinct from the Central Office, maintains separate financial records, and carries on its own services and programs. 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.

In accordance with the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958, the Diocese reports information regarding its financial position and activities according to three classes of net assets:

■ **Unrestricted Net Assets**

Unrestricted net assets represents 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.

■ **Temporarily Restricted Net Assets**

Temporarily restricted net assets includes resources in which the Diocese is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

■ **Permanently Restricted Net Assets**

Permanently restricted net assets consists of trusts in which the donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income.



**NOTES TO FINANCIAL STATEMENTS**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies *(Continued)***

**Basis of Accounting**

The financial statements are 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 Central Office 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, 2018, the aggregate balances were in excess of the insurance and therefore, bear some risk since they are not collateralized. The Central Office 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 money market and mutual funds, corporate securities, and bonds. Investments are reported at quoted market value at year-end with increases or decreases in market value reported as funds provided or expended.

**Accounts Receivable – Parishes and Other Institutions**

Accounts receivable from Parishes and other institutions include funds advanced by the Central Office 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 and individual assessment of collectability of revenue types.

**Inventory**

The inventory, which consists of food and supplies for Marywood Retreat Center is recorded at the lower of cost (weighted average method) or market value.

**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.

**Donated Services**

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

**NOTES TO FINANCIAL STATEMENTS**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies *(Continued)***

**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 Revenues 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 Statement of Activities as net assets released from restrictions.

**Allocation of Expenses**

The costs of providing various programs and supporting activities of the Central 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.

**Income Taxes**

The Central Office 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.

Accounting principles generally accepted in the United States of America require 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, 2018, 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 Central Office is subject to U.S. Federal or 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 Central Office 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.

**NOTES TO FINANCIAL STATEMENTS**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**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 Office's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

**New Accounting Pronouncements**

Accounting Standards Update (ASU) No. 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14) was issued in a prior year. The main provisions of ASU 2016-14, which amend the requirements for financial statements and notes in Accounting Standards Codification Topic 958, *Not-for-Profit Entities*, require a not-for-profit entity to change the reporting of net asset classes, expense, and liquidity in their financial statements. This ASU is effective for annual periods in fiscal years beginning after December 15, 2017, although early adoption is permitted. The Central Office has not adopted ASU 2016-14 in the current year. Management is currently evaluating the future impact of the ASU on the Central Office's financial statements.

**Note 2 - Investments**

Investments as of June 30, 2018, are summarized as follows:

	<b>Cost</b>	<b>Fair Value</b>
Money Market	\$ 27,721	\$ 27,721
Equities	108,844	108,844
Mutual Funds – Equities	7,452,312	7,452,312
Mutual Funds – Bonds	7,831,920	7,831,920
Savings & Loan Trust (1)	15,162,719	15,162,719
<b>Total Investments</b>	<b>\$ 30,583,516</b>	<b>\$ 30,583,516</b>

Investment earnings consisted of the following for the year ended June 30, 2018:

Interest Income	\$ 567,893
Net Realized and Unrealized Gains (Losses)	659,492
<b>Total</b>	<b>\$ 1,227,385</b>

(1) Investments in the Savings & Loan Trust represent deposits with the Savings and Loan Trust of the Diocese of St. Augustine (Trust). The Trust invests in money market and mutual funds, equities, and corporate and governmental bonds, and pays an annual established fixed interest rate on deposits held in the Trust.

**NOTES TO FINANCIAL STATEMENTS**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**  
*(Continued)*

**Note 3 - 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.

At June 30, 2018, the Diocese's money market and U.S. mutual funds, 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 in the active markets in which the individual securities are traded.

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 Central Office 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.

	<b>Market Value</b>	<b>Fair Value Measurement at June 30, 2018</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money Market	\$ 27,721	\$ 27,721	\$ 0	\$ 0
Equities	108,844	108,844	0	0
Mutual Funds – Equities	7,831,920	7,831,920	0	0
Mutual Funds – Bonds	7,452,312	7,452,312	0	0
Savings & Loan Trust	15,162,719	15,162,719	0	0
<b>Total</b>	<b>\$ 30,583,516</b>	<b>\$ 30,583,516</b>	<b>\$ 0</b>	<b>\$ 0</b>

**NOTES TO FINANCIAL STATEMENTS**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**  
*(Continued)*

**Note 4 - Receivables**

Loans and advances to Parishes and other institutions bear interest and are due on demand. Assessments and premiums represent the Diocesan Sharing Agreement, insurance program, and priests' pension. Pledges consist of the Bishop's Annual Stewardship Appeal, the Capital Campaign, and amounts for the Guardian of Dreams in support of education for inner city schools.

At June 30, 2018, the receivables consisted of the following categories:

Parish and Related Entities	\$ 2,817,706
Assessments and Premiums	5,823,340
Pledges - Bishop's Annual Appeal	798,301
Pledges - Guardian of Dreams	755,091
Pledges - Capital Campaign	<u>1,764,939</u>
	11,959,377
Allowances for Doubtful Accounts	(2,498,295)
Discount to Present Value	<u>(66,367)</u>
<b>Total</b>	<u><u>\$ 9,394,715</u></u>

Pledges receivable noted above represent unconditional promises to give and are due as follows at June 30, 2018:

Due in Less than One Year	\$ 1,760,501
Due Between One and Five Years	1,257,830
Due in Greater than Five Years	<u>300,000</u>
	3,318,331
Discounts to Present Value at 2.00%	<u>(66,367)</u>
<b>Total</b>	<u><u>\$ 3,251,964</u></u>

**Note 5 - Land, Buildings and Equipment**

At June 30, 2018, fixed assets consisted of the following:

Land	\$ 23,127,606
Buildings and Improvements	11,321,134
Furnishings and Equipment	3,040,086
Vehicles	<u>150,958</u>
	37,639,784
(Accumulated Depreciation)	<u>(8,828,330)</u>
<b>Total</b>	<u><u>\$ 28,811,454</u></u>

Depreciation expense was \$330,470 for the year ended June 30, 2018.

**Note 6 - Loans Payable**

As of June 30, 2018, the loans payable to the Diocesan Savings & Loan consist of the following and are due on demand:

**NOTES TO FINANCIAL STATEMENTS**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**  
*(Continued)*

**Note 6 - Loans Payable (Concluded)**

Savings and Loan Fund – Refinancing (3.0%)	\$ 3,620,272
Savings and Loan Fund – Gainesville Early Learning Center (4.5%)	<u>3,890,833</u>
<b>Total Loans Payable</b>	<b><u>\$ 7,511,105</u></b>

**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, 2018.

Long-term debt at June 30, 2018, consists of the following:

	<b>Balance Owed</b>	<b>Current Portion</b>
Note Payable, Premium Assignment, 2.48%, \$85,281 Monthly Principal and Interest	\$ 682,247	\$ 682,247
Note Payable, Guardian Construction, 3.00%, \$13,895 Monthly Principal and Interest, with a Balloon payment of \$1,506,988 in December 2021	<u>1,898,614</u>	<u>110,521</u>
<b>Total</b>	<b><u>\$ 2,580,861</u></b>	<b><u>\$ 792,768</u></b>

**Note 8 - Retirement Benefits**

**Priests and Lay Employees Benefit Plans**

The Central Office participates in noncontributory, 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. These pension plans are considered to be multi-employer plans. 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 the Employee Retirement Income Security Act of 1974 (ERISA) 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 Central Office 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 has the Diocese been required to pay any surcharges to the plan or 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 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

**NOTES TO FINANCIAL STATEMENTS**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**  
*(Continued)*

**Note 8 - Retirement Benefits (Concluded)**

**Priests and Lay Employees Benefit Plans (Concluded)**

to service to date, but also for those expected to be earned in the future. The pension expense for the Central Office for the Priests' Plan is based on payroll costs and was \$217,350 for 2018. The Central Office contributed 46% of total contributions to the Priest 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 expense for the Central Office for the Lay Plan is based on payroll costs and was \$253,288 for 2018. The Central Office contributed 6% of total contributions to the Lay Plan by all Diocesan entities, including parishes, schools, and affiliated entities.

The following presents information about the Diocese's multi-employer pension plans, from the most recently available actuarial reports, as of June 30, 2017:

<u>Plan Name</u>	<u>Priests' Plan</u>	<u>Lay Plan</u>
Employer Number	010-379-B	013-200-G
	<b>2018</b>	<b>2018</b>
Funded Status	60%-80%	at least 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 \$850,473, 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.

**NOTES TO FINANCIAL STATEMENTS**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**  
*(Continued)*

**Note 9 - Self-Insurance (Concluded)**

**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.

**Note 10 - Contingencies and Other Commitments**

**Guarantee**

The Diocese is contingently liable for several mortgages obtained on behalf of certain Parishes totaling \$19,806,988 as of June 30, 2018.

**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 - Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at June 30, 2018:

Education and Missionary Burse	\$ 438,329
Guardian Schools Capital Campaign	1,944,454
Priests Benefits	<u>102,728</u>
<b>Total Temporarily Restricted Net Assets</b>	<b><u>\$ 2,485,511</u></b>

**Note 12 - Related-party Transactions**

During the year ended June 30, 2018, the Central Office transferred \$3,407,845 to various related parties to supplement their budget, including Catholic Charities, various Catholic schools, and other diocesan ministries.

The Central Office also has deposits in the Savings & Loan as disclosed in Note 2, loans to and from related entities as disclosed in Notes 4 and 6, 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.



**NOTES TO FINANCIAL STATEMENTS**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**  
*(Concluded)*

**Note 13 - Subsequent Events**

The Diocese evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 19, 2018, the date the financial statements were available to be issued.

## **OTHER INFORMATION**

**INDEPENDENT AUDITORS' REPORT ON  
ADDITIONAL INFORMATION**

Most Reverend Felipe J. Estevez,  
Bishop of St. Augustine and  
Finance Council of the Catholic Diocese of St. Augustine  
Jacksonville, Florida

We have audited the financial statements of the Central Financial Office of the Catholic Diocese of St. Augustine, as of and for the year ended June 30, 2018, and our report thereon dated November 19, 2018, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The Consolidating Statement of Financial Position and Consolidating Statement of Activities are presented for purposes of additional analysis and are 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 information has been subjected to the auditing procedures applied in the audit 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*Purvis, Gray and Company, LLP*

November 19, 2018  
Ocala, Florida

**Certified Public Accountants**

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018,**  
**WITH COMPARATIVE TOTALS FOR 2017**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**

	<b>General Fund</b>	<b>Diocesan Sharing Fund</b>	<b>Insurance Fund</b>	<b>Education and Missionary Burse</b>	<b>Guardian Schools</b>	<b>Marywood</b>
<b>Assets</b>						
Cash and Cash						
Equivalents	\$ 410,089	\$ 1,574,850	\$ 1,326,872	\$ 951,038	\$ 761,269	\$ 120,880
Investments	73,231	7,531,701	12,681,350	8,385,249	346,004	22,272
Receivables:						
Parishes and Other						
Institutions	10,395	1,427,132	5,651,384	0	2,142,025	19,933
Due from Other Funds	477,505	513,799	572,734	0	0	0
Prepays and Inventory	0	87,652	767,527	0	0	8,093
Contingent Mortgage						
Receivables	19,806,988	0	0	0	0	0
Other Assets	0	0	0	452	0	0
Land, Buildings, and						
Equipment, Net	0	25,808,789	0	0	0	1,864,831
<b>Total Assets</b>	<b>20,778,208</b>	<b>36,943,923</b>	<b>20,999,867</b>	<b>9,336,739</b>	<b>3,249,298</b>	<b>2,036,009</b>
<b>Liabilities</b>						
Accounts Payable and						
Accruals	973,370	449,431	3,323,535	0	2,573	0
Loans Payable - Parishes						
and Other Institutions	0	7,511,105	0	0	0	0
Notes Payable	0	0	682,247	0	1,898,614	0
Due to Other Funds	0	880,657	0	9,825	336,647	1,652,872
Deferred Revenue	0	0	2,905,252	0	0	111,236
Contingent Mortgage						
Payable	19,806,988	0	0	0	0	0
Escrow	53,934	36,769	437,121	0	0	0
<b>Total Liabilities</b>	<b>20,834,292</b>	<b>8,877,962</b>	<b>7,348,155</b>	<b>9,825</b>	<b>2,237,834</b>	<b>1,764,108</b>
<b>Net Assets</b>						
Unrestricted	(56,084)	28,065,961	13,651,712	8,888,585	(932,990)	271,901
Temporarily Restricted	0	0	0	438,329	1,944,454	0
Permanently Restricted	0	0	0	0	0	0
<b>Total Net Assets</b>	<b>(56,084)</b>	<b>28,065,961</b>	<b>13,651,712</b>	<b>9,326,914</b>	<b>1,011,464</b>	<b>271,901</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 20,778,208</b>	<b>\$ 36,943,923</b>	<b>\$ 20,999,867</b>	<b>\$ 9,336,739</b>	<b>\$ 3,249,298</b>	<b>\$ 2,036,009</b>

<b>Priests' Benefit</b>	<b>Mission Fund</b>	<b>2018 Sub-total</b>	<b>Eliminations</b>	<b>2018 Total</b>	<b>2017 Total</b>
\$ 859,324	\$ 28,001	\$ 6,032,323	\$ 0	\$ 6,032,323	\$ 8,145,271
1,425,964	117,745	30,583,516	0	30,583,516	22,665,944
143,846	0	9,394,715	0	9,394,715	7,050,576
0	0	1,564,038	(1,564,038)	0	0
0	0	863,272	0	863,272	789,496
0	0	19,806,988	(19,806,988)	0	0
0	0	452	0	452	1,776
0	1,137,834	28,811,454	0	28,811,454	28,289,512
2,429,134	1,283,580	97,056,758	(21,371,026)	75,685,732	66,942,575
845,742	0	5,594,651	0	5,594,651	2,392,836
0	0	7,511,105	0	7,511,105	6,606,145
0	0	2,580,861	0	2,580,861	583,189
15,291	0	2,895,292	(2,895,292)	0	0
0	0	3,016,488	0	3,016,488	2,966,254
0	0	19,806,988	(19,806,988)	0	0
0	107,234	635,058	0	635,058	160,026
861,033	107,234	42,040,443	(22,702,280)	19,338,163	12,708,450
1,465,373	1,176,346	52,530,804	1,331,254	53,862,058	50,084,525
102,728	0	2,485,511	0	2,485,511	4,149,600
0	0	0	0	0	0
1,568,101	1,176,346	55,016,315	1,331,254	56,347,569	54,234,125
\$ 2,429,134	\$ 1,283,580	\$ 97,056,758	\$ (21,371,026)	\$ 75,685,732	\$ 66,942,575

**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018,**  
**WITH COMPARATIVE TOTALS FOR 2017**  
**CENTRAL FINANCIAL OFFICE OF THE CATHOLIC DIOCESE OF ST. AUGUSTINE**  
**JACKSONVILLE, FLORIDA**

	<b>General Fund</b>	<b>Diocesan Sharing Fund</b>	<b>Insurance Fund</b>	<b>Education and Missionary Burse</b>	<b>Guardian Schools</b>	<b>Marywood</b>
<b>Support and Revenues</b>						
Contributions and						
Diocesan Assessments	\$ 13,581	\$ 12,707,237	\$ 0	\$ 34,543	\$ 541,700	\$ 502
Investment Income	350	144,226	420,562	512,761	76,103	228
Insurance Program	0	0	16,622,661	0	0	0
Program Services	0	722,296	0	0	0	513,664
Grants	0	121,948	0	0	0	0
Other Revenue	0	1,298,357	6,772,751	0	0	1,603
<b>Total Support and Revenues</b>	<b>13,931</b>	<b>14,994,064</b>	<b>23,815,974</b>	<b>547,304</b>	<b>617,803</b>	<b>515,997</b>
<b>Expenses</b>						
Pastoral Services	0	5,878,387	0	3,246	0	1,181,850
Priests, Seminarians, and Education	0	1,328,889	0	1,508,356	4,230,363	0
Health and Social Services	0	1,286,065	0	0	0	0
Other Operations	27,000	750,024	0	0	0	0
Insurance Program	0	0	18,746,444	0	0	0
Management and General	0	1,875,675	0	0	0	0
Fundraising	0	0	0	0	18,063	0
Depreciation	0	209,745	0	0	0	117,787
<b>Total Expenses</b>	<b>(27,000)</b>	<b>(11,328,785)</b>	<b>(18,746,444)</b>	<b>(1,511,602)</b>	<b>(4,248,426)</b>	<b>(1,299,637)</b>
(Loss)/Gain on Sale of Asset	0	1,366,855	0	0	0	0
Transfers in	0	5,195,143	0	1,682,633	0	872,540
Transfers (out)	0	(8,523,224)	0	0	0	0
Transfer of Assets	0	(1,839,082)	0	0	0	0
<b>Total Nonoperational</b>	<b>0</b>	<b>(3,800,308)</b>	<b>0</b>	<b>1,682,633</b>	<b>0</b>	<b>872,540</b>
<b>(Deficiency) Excess</b>						
<b>Support and Revenues</b>	(13,069)	(135,029)	5,069,530	718,335	(3,630,623)	88,900
<b>Net Assets, Beginning of Year</b>	(43,015)	28,200,990	8,582,182	8,608,579	4,642,087	183,001
<b>Net Assets, End of Year</b>	<b>\$ (56,084)</b>	<b>\$ 28,065,961</b>	<b>\$ 13,651,712</b>	<b>\$ 9,326,914</b>	<b>\$ 1,011,464</b>	<b>\$ 271,901</b>

<b>Priests' Benefit</b>	<b>Mission Fund</b>	<b>2018 Sub-total</b>	<b>Eliminations</b>	<b>2018 Total</b>	<b>2017 Total</b>
\$ 24,846	\$ 37,190	\$ 13,359,599	\$ 0	\$ 13,359,599	\$ 15,635,318
72,006	1,149	1,227,385	0	1,227,385	675,401
340,200	0	16,962,861	(866,944)	16,095,917	4,374,947
0	0	1,235,960	0	1,235,960	1,242,253
0	43,486	165,434	0	165,434	200,675
290,698	0	8,363,409	0	8,363,409	3,787,227
<u>727,750</u>	<u>81,825</u>	<u>41,314,648</u>	<u>(866,944)</u>	<u>40,447,704</u>	<u>25,915,821</u>
0	0	7,063,483	(715,276)	6,348,207	5,965,436
0	0	7,067,608	(138,708)	6,928,900	9,976,178
0	0	1,286,065	0	1,286,065	1,630,798
1,680,929	113,828	2,571,781	(243,572)	2,328,209	4,004,867
0	0	18,746,444	0	18,746,444	5,187,508
0	0	1,875,675	0	1,875,675	1,290,501
0	0	18,063	0	18,063	0
0	2,938	330,470	0	330,470	364,821
<u>(1,680,929)</u>	<u>(116,766)</u>	<u>(38,959,589)</u>	<u>1,097,556</u>	<u>(37,862,033)</u>	<u>(28,420,109)</u>
0	0	1,366,855	0	1,366,855	1,254,767
772,908	0	8,523,224	(8,523,224)	0	0
0	0	(8,523,224)	8,523,224	0	0
0	0	(1,839,082)	0	(1,839,082)	0
<u>772,908</u>	<u>0</u>	<u>(472,227)</u>	<u>0</u>	<u>(472,227)</u>	<u>1,254,767</u>
(180,271)	(34,941)	1,882,832	230,612	2,113,444	(1,249,521)
<u>1,748,372</u>	<u>1,211,287</u>	<u>53,133,483</u>	<u>1,100,642</u>	<u>54,234,125</u>	<u>55,483,646</u>
<u>\$ 1,568,101</u>	<u>\$ 1,176,346</u>	<u>\$ 55,016,315</u>	<u>\$ 1,331,254</u>	<u>\$ 56,347,569</u>	<u>\$ 54,234,125</u>