

DIOCESE OF PALM BEACH, INC.
REPORT ON AUDITS OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

DIOCESE OF PALM BEACH, INC.

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Report of Independent Auditors

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

Opinion

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, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

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, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Diocese of Palm Beach, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese of Palm Beach, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Palm Beach, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese of Palm Beach, Inc.'s ability to continue as a going concern for a reasonable period of time.

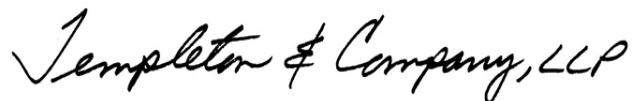
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the 2023 financial statements and our report dated, October 17, 2023, expressed an unmodified opinion. The summarized comparable information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



West Palm Beach, Florida
October 15, 2024

DIOCESE OF PALM BEACH, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2024
(with comparative information for June 30, 2023)

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 26,264,921	\$ 27,254,635
Investments (Note 4)	68,398,139	61,923,152
Pledges receivable, net (Note 6)	925,440	1,275,607
Receivables from Diocesan entities	2,412,164	2,216,331
Other receivables, net (Note 5)	188,957	213,883
Other assets and prepaid assets	4,136,297	3,656,289
Property and equipment, net (Note 8)	21,724,674	21,759,994
Total assets	\$ 124,050,592	\$ 118,299,891
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,944,729	\$ 2,703,695
Self-insurance reserves (Note 9)	1,862,604	1,784,526
Annuities payable	137,243	144,389
Post-employment benefit obligation (Note 10)	420,013	542,507
Guarantee of indebtedness reserve (Note 3)	852,549	1,309,397
Total liabilities	6,217,138	6,484,514
Commitments and contingencies (Notes 3, 9, and 10)		
Net assets:		
Without donor restrictions	65,299,547	62,646,899
With donor restrictions (Note 16)	52,533,907	49,168,478
Total net assets	117,833,454	111,815,377
Total liabilities and net assets	\$ 124,050,592	\$ 118,299,891

See accompanying notes to financial statements.

DIOCESE OF PALM BEACH, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2024
(with comparative information for the year ended June 30, 2023)

	Year Ended June 30, 2024			2023 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Diocesan services appeal	\$ -	\$ 10,156,690	\$ 10,156,690	\$ 9,999,957
Contributions and bequests	301,171	1,086,268	1,387,439	1,680,538
Cemetery care deposits	-	323,349	323,349	339,437
Program revenue	1,344,861	-	1,344,861	1,287,652
Self-insurance program revenue	8,510,502	-	8,510,502	6,493,793
Interest and dividend income	888,657	969,109	1,857,766	1,556,896
Special events, net of direct expenses	601,359	-	601,359	577,458
Rental income - in kind	204,000	-	204,000	204,000
Other income, net	29,437	-	29,437	45,326
Net assets released from restrictions (Note 17)	<u>12,373,994</u>	<u>(12,373,994)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>24,253,981</u>	<u>161,422</u>	<u>24,415,403</u>	<u>22,185,057</u>
Expenses:				
Program services:				
Pastoral	1,454,312	-	1,454,312	1,396,506
Religious personnel development	1,255,345	-	1,255,345	1,124,852
Educational and faith programs	3,516,746	-	3,516,746	3,706,889
Missions support	2,604,984	-	2,604,984	1,135,814
Self-insurance program (Note 9)	7,666,114	-	7,666,114	6,813,010
Social service programs	<u>3,359,490</u>	<u>-</u>	<u>3,359,490</u>	<u>3,404,472</u>
Total program services	19,856,991	-	19,856,991	17,581,543
Supporting services:				
Diocesan administration	3,855,593	-	3,855,593	3,573,172
Plant, facility and construction management	<u>1,399,857</u>	<u>-</u>	<u>1,399,857</u>	<u>1,397,344</u>
Total expenses	<u>25,112,441</u>	<u>-</u>	<u>25,112,441</u>	<u>22,552,059</u>
Change in net assets before non-operating activities	(858,460)	161,422	(697,038)	(367,002)
Change in guarantee of indebtedness reserve	(213,500)	-	(213,500)	(449,363)
Net investment return	4,102,114	3,204,007	7,306,121	3,945,419
Gain on sale of property, net	-	-	-	1,171,389
Change in post-employment benefit obligation	122,494	-	122,494	6,536
Contribution to Priest and Lay Pension Plan (Note 10)	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>	<u>(2,524,947)</u>
Change in net assets	2,652,648	3,365,429	6,018,077	1,782,032
Net assets - beginning of year	<u>62,646,899</u>	<u>49,168,478</u>	<u>111,815,377</u>	<u>110,033,345</u>
Net assets - end of year	<u>\$ 65,299,547</u>	<u>\$ 52,533,907</u>	<u>\$ 117,833,454</u>	<u>\$ 111,815,377</u>

See accompanying notes to financial statements.

DIOCESE OF PALM BEACH, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2024
(with comparative information for the year ended June 30, 2023)

	2024								2023 Total	
	Pastoral	Religious Personnel Development	Education and Faith Programs	Missions Support	Self-Insurance Program	Social Service Programs	Diocesan Administration	Plant, Facility and Construction		Total
Salaries, taxes, and benefits	\$ 1,089,173	\$ 414,709	\$ 1,279,526	\$ 245,427	\$ -	\$ 1,230,227	\$ 2,849,214	\$ 679,762	\$ 7,788,038	\$ 7,372,907
Subsidies and donations	41,988	129,418	656,608	2,299,551	-	1,708,258	74,342	-	4,910,165	3,804,792
Educational programs	128,107	411,578	1,137,660	-	-	144,106	-	-	1,821,451	1,782,750
Insurance	14,904	14,276	15,773	203,234	8,464,114	14,842	34,801	78,118	8,840,062	7,870,705
Information technology and telecommunications	9,915	2,460	7,134	520	-	11,766	140,063	15,757	187,615	164,362
Utilities	13,540	4,668	7,792	1,157	-	13,579	21,930	4,224	66,890	60,630
Office, printing, and postage	9,425	13,699	5,262	18,572	-	41,804	288,452	17,407	394,621	393,005
Other program and operating	17,675	138,005	127,116	24,879	-	17,530	4,313	2,291	331,809	287,246
Travel and meetings	33,706	25,652	19,526	4,928	-	23,922	33,126	16,105	156,965	126,481
Maintenance contracts and repairs	44,154	12,007	71,357	2,977	-	34,929	56,412	424,565	646,401	691,213
Depreciation	62,979	21,711	36,244	5,383	-	63,159	102,005	19,647	311,128	313,666
Professional and contract services	3,650	81,438	168,521	1,590	-	70,210	285,736	220,099	831,244	741,997
Interfund eliminations	<u>(14,904)</u>	<u>(14,276)</u>	<u>(15,773)</u>	<u>(203,234)</u>	<u>(798,000)</u>	<u>(14,842)</u>	<u>(34,801)</u>	<u>(78,118)</u>	<u>(1,173,948)</u>	<u>(1,057,695)</u>
	<u>\$ 1,454,312</u>	<u>\$ 1,255,345</u>	<u>\$ 3,516,746</u>	<u>\$ 2,604,984</u>	<u>\$ 7,666,114</u>	<u>\$ 3,359,490</u>	<u>\$ 3,855,593</u>	<u>\$ 1,399,857</u>	<u>\$ 25,112,441</u>	<u>\$ 22,552,059</u>

DIOCESE OF PALM BEACH, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2024
(with comparative information for the year ended June 30, 2023)

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 6,018,077	\$ 1,782,032
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	311,128	313,666
Gain on sale of property and equipment	(4,200)	(1,171,389)
Unrealized and realized gains on investments, net	(6,916,861)	(3,607,728)
Change in guarantee of indebtedness reserve	(456,848)	(350,637)
Change in self-insurance reserves	78,078	487,400
Changes in operating assets and liabilities:		
Receivables from Diocesan entities	(195,833)	(682,254)
Pledges receivable	350,167	395,919
Other receivables	24,926	(8,291)
Other assets and prepaid expenses	(480,008)	(834,487)
Accounts payable and accrued expenses	241,034	82,187
Annuities payable	(7,146)	(7,227)
Post-employment benefit obligation	(122,494)	(6,536)
Net cash used in operating activities	(1,159,980)	(3,607,345)
Cash flows from investing activities:		
Purchases of investments	(19,790,528)	(47,226,376)
Proceeds from sales of investments	20,232,402	49,877,262
Proceeds from sale of property and equipment	4,200	1,726,473
Purchases of property and equipment	(275,808)	(144,586)
Net cash provided by investing activities	170,266	4,232,773
(Decrease) increase in cash and cash equivalents	(989,714)	625,428
Cash and cash equivalents, beginning of year	27,254,635	26,629,207
Cash and cash equivalents, end of year	\$ 26,264,921	\$ 27,254,635

See accompanying 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, missions, schools, affiliated 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 3).

The Diocese serves five counties in the South Florida area and receives substantial financial support from parishioners through the Diocesan Services 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 financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles generally accepted in the United States of America (U.S. GAAP), in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) FASB ASC Topic 958, *Not-for-Profit Entities*.

The financial statements have been prepared to focus on the Diocese, as described in the preceding paragraphs, and present balances and transactions according to the existence or absence of donor-imposed restrictions. The following fund groups are included in the accompanying financial statements: Current Undesignated Fund, Plant Fund, Endowment Funds, and the Self-Insurance Fund.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Diocese, the environment in which it operates, the purpose specified by the Diocese, and any limits resulting from contractual arrangements with creditors or others that are entered into in the course of operations.

Net assets with donor restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time period has passed. Other donor-imposed restrictions are perpetual in nature; the Diocese must continue to use the resources in accordance with the donor's instructions.

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities according to their nearness to their maturity and resulting use of cash.

Revenue recognition

Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Billings to Diocesan entities for self-insurance program contributions are deferred and recognized as revenue ratably over the related policy period. Gains and/or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

The Diocesan Services Appeal (DSA) primarily funds the various ministries and outreach programs of the Diocese. DSA assessments are based on a standard formula which is substantially based on parish offertory income.

Contributions and bequests

Transfers of cash or other assets or settlement of liabilities that are both voluntary and non-reciprocal are recognized as contributions. Contributions may be either conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific measurable outcomes, limitations on performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligations to transfer any assets in the event the Diocese fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as deferred revenue.

The Diocese reports contributions of nonfinancial assets as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of nonfinancial assets are reported at their estimated fair value at the date of the gift. 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.

Unconditional promises to give (pledges) are recognized as contributions at fair value at the date the promises are received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges that are expected to be collected in more than one year are recorded at fair value at the date of promise. The fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible pledges receivable is determined based on management's evaluation of the collectability of the individual promises. Pledges that remain uncollected more than one year after their due dates are written off unless the donor indicates that payment is merely postponed. Amounts pledged are recorded as contributions of net assets with donor restrictions, if designated by the donors as such. 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). The Diocese distinguishes between pledges received for each net asset category in accordance with donor restrictions, if any.

DIOCESE OF PALM BEACH, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

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.

Self-insurance program revenue and other program revenue

Fees for services, including administering the self-insurance program for other Diocesan entities and affiliates, are recognized in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers*. Due to the short period of time over which services are provided, fees for services are recognized in the same month in which services are provided which is when performance obligations are satisfied.

Cash and cash equivalents

Cash and cash equivalents include demand deposit and money market accounts, SFT deposits (see Note 3), and other highly liquid investments with an original maturity of three months or less.

Receivables from Diocesan entities

Receivables from Diocesan entities consist of amounts due under the DSA on behalf of parishes. As of June 30, 2024 and 2023, there was no allowance for doubtful collections for amounts due under the DSA.

Other receivables, net

Other receivables consists of the uncollected amounts invoiced to Diocesan entities under the self-insurance program and for program services provided by the Diocese. As of June 30, 2024 and 2023, the Diocese recognized an expected allowance for credit losses. The allowance estimate is derived from a review of historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Diocese. The Diocese believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses.

The allowance for credit losses was \$480,000 and \$365,003 as of June 30, 2024 and 2023, respectively. The Diocese writes off the account when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Diocese's accounting policy election.

Investments

Investments are carried at fair value in the statements of financial position. Investments include individual common stocks, mutual funds, U.S. government and municipal bonds, money market funds, certificates of deposit, and corporate bonds.

Investment income and realized gains and losses on investments are recognized upon realization. Purchased portfolio investments are recorded at cost and contributed portfolio investments are initially recorded at fair value on the date received. 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.

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, continued

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near-term. The Diocese has an investment policy, utilizes management oversight, third party consultants and regularly reviews its investment portfolio to monitor these risks.

Property and equipment

Property and equipment are stated at cost if purchased or, if acquired by contribution, at the estimated fair market value on the date of contribution. All property and equipment is capitalized unless the asset has a value of less than \$10,000 in which case it is expensed in the period incurred.

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 or future development 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 Diocese holds these funds in trust and pays out annuities, at specified interest rates or income earned on the principal, to the donors or the donor designated beneficiaries of such funds for life. The related assets under these arrangements, totaling \$602,138 and \$520,088 at June 30, 2024 and 2023, respectively, are included in investments in the accompanying statements of financial position. Amounts due are measured at their present value calculated using discount rates ranging from 2.8% to 7.8% and the Internal Revenue Service's (IRS) life expectancy tables.

Self-insurance reserves

As more fully described in Note 9, the Diocese maintains self-insurance programs for property, general liability, and workers' and unemployment compensation insurance. Participating entities are charged premiums based upon the estimated costs of the programs, including insurance premiums paid for stop-loss coverage, self-insured claims expenses, and professional program administration. Self-insurance claim liabilities reflect the estimated costs (including estimated loss development and loss adjustment expense) for claims incurred under the various lines of coverage and are recorded at the estimated ultimate payment amounts. The liabilities relating to the property, general liability and workers' and unemployment compensation insurance policies are based on historical claims experience. These liabilities include specific claims reserves and estimated incurred but not reported amounts which are calculated annually by an actuary and adjusted to the related actuarial computation.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, the Diocese' management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances.

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Use of estimates, continued

The Diocese believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates. Significant items subject to such estimates include the present value discount of pledges receivable, allowance for credit losses, guarantee of indebtedness reserve, self-insurance reserves, and estimate of the post-employment benefit obligation.

Guarantees of indebtedness reserve

The Diocese is the guarantor of loans and accrued interest to parishes and other Diocesan entities issued by the SFT which approximated \$19,652,000 for 27 loans and \$19,552,000 for 30 loans as of June 30, 2024 and 2023, 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 review, the Diocese determined that as of June 30, 2024 and 2023, a reserve liability for certain loans and accrued interest guarantees of \$852,549 and \$1,309,397, respectively, is necessary for these loans and accrued interest guarantees.

Income taxes

In an annually updated ruling, the IRS ruled that agencies, instrumentalities, and educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in "The Official Catholic Directory" are exempt from the federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Diocese of Palm Beach is listed in "The Official Catholic Directory" and, therefore, is exempt from income tax. Accordingly, the accompanying financial statements reflect no provision for income taxes.

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, investments, receivables, and liabilities approximate their carrying values due to their short-term nature.

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 net assets with donor restrictions, or net assets without donor restrictions, as appropriate. Support is recognized in accordance with the Diocese's contributions policy and related expenses are recorded as incurred.

Expense recognition and allocation

The cost of providing the Diocese' ministries and programs and other activities is summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific ministry or support service are charged directly to that ministry or support service. Costs common to multiple functions such as utilities, maintenance and related costs are allocated on a square footage basis dependent upon the ministry, programs and supporting activities occupying the space.

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Expense recognition and allocation, continued

Management periodically evaluates the bases on which costs are allocated when new space or programs are added. Administration expenses include those costs that are not directly identifiable with any specific ministry or program, but which provide overall support and direction of the Diocese.

Reclassifications

Certain amounts in the 2023 financial statements were reclassified to conform to the presentation in the 2024 financial statements.

Comparative financial information

The financial statement include certain prior year summarized comparable information in total. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Diocese financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Recently adopted accounting standards

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new standard significantly changes how entities will measure credit losses for financial assets held at an amortized cost basis. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Diocese that are subject to the guidance in FASB ASC Topic 326 are other receivables.

The Diocese adopted the standard, effective July 1, 2023. The adoption of Topic 326 was not considered material to the financial statements of the Diocese and primarily resulted in new and enhanced disclosures only.

Note 2 – Financial Assets and Liquidity Resources

As of June 30, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses were as follows:

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 26,264,921	\$ 27,254,635
Investments	68,398,139	61,923,152
Receivables from Diocesan entities	2,412,164	2,216,331
Pledges receivable - due in one year	420,000	414,000
Other receivables, net	188,957	213,883
Total financial assets	97,684,181	92,022,001
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets (Note 16)	(36,512,895)	(34,790,407)
Donor-restricted endowment (Note 16)	(16,021,012)	(14,378,071)
Total financial assets available for general operating expenditures within one year	\$ 45,150,274	\$ 42,853,523

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Financial Assets and Liquidity Resources, Continued

The Diocese investments include donor-restricted funds and donor-restricted endowment funds. Income from donor-restricted funds is restricted for specific purposes and, therefore, is not available for general expenditure.

Note 3 – Diocese of Palm Beach Savings Fund Trust – Guarantee of Indebtedness Reserve

The Bishop guarantees loans made by the Diocese of Palm Beach Savings Fund Trust (SFT) to certain Diocesan entities. During the years ended June 30, 2024 and 2023, the Diocese recorded changes to its guarantee of indebtedness reserve in the amounts of \$213,500 and \$449,363, respectively, based on its evaluation of collectability of certain of the underlying guaranteed loans and related accrued interest. During the years ended June 30, 2024 and 2023, the Diocese made principal payments to the SFT for certain guaranteed loans in the amounts of \$670,349 and \$800,000, respectively.

Summarized financial information for the SFT as of June 30, 2024 and 2023, and for the years then ended is presented below:

	For the Year Ended June 30,	
	2024	2023
Revenue and investment returns	\$ 16,361,995	\$ 7,271,206
Cost and expenses	<u>6,329,306</u>	<u>4,755,807</u>
Increase in net assets	<u>\$ 10,032,689</u>	<u>\$ 2,515,399</u>
	As of June 30,	
	2024	2023
Assets:		
Cash and equivalents	\$ 13,868,835	\$ 17,650,386
Portfolio investments	207,195,897	194,027,578
Loans receivable, net	19,652,531	19,780,107
Accrued interest receivable on loans, net	<u>374,622</u>	<u>385,255</u>
Total assets	<u>\$ 241,091,885</u>	<u>\$ 231,843,326</u>
Liabilities:		
Savings deposits – Diocesan entities	\$ 218,548,043	\$ 219,336,964
Accrued expenses	<u>43,282</u>	<u>38,491</u>
Total liabilities	218,591,325	219,375,455
Net assets – without donor restrictions	<u>22,500,560</u>	<u>12,467,871</u>
Total liabilities and net assets	<u>\$ 241,091,885</u>	<u>\$ 231,843,326</u>

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 3 – Diocese of Palm Beach Savings Fund Trust – Guarantee of Indebtedness, Continued

Balances and transactions with SFT

The following is a summary of balances and transactions between the Diocese and SFT as of and for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
For the year ended:		
Guarantee of indebtedness adjustment, net of payments	\$ <u>456,848</u>	\$ <u>350,637</u>
Program revenue – administrative fee	\$ <u>134,000</u>	\$ <u>130,000</u>
Interest income on savings deposits	\$ <u>911,512</u>	\$ <u>743,551</u>
At year end:		
Assets –		
Savings Fund Trust deposits (included in cash and cash equivalents)	\$ <u>25,054,970</u>	\$ <u>26,649,819</u>
Liabilities –		
Guarantee of indebtedness reserve - loans	\$ <u>552,738</u>	\$ <u>1,009,586</u>
Guarantee of indebtedness reserve – accrued interest	<u>299,811</u>	<u>299,811</u>
Total	\$ <u>852,549</u>	\$ <u>1,309,397</u>

Credit facility

The Diocese guarantees a \$5,000,000 credit facility that the SFT has in place with a financial institution. There were no outstanding borrowings under the credit facility at June 30, 2024.

Note 4 –Investments

A summary of investments, by investment type, at June 30, 2024 and 2023 follows:

	<u>2024</u>	<u>2023</u>
Marketable equity securities	\$ 41,891,369	\$ 36,939,462
U.S. government and municipal bonds	12,189,536	14,665,869
Corporate bonds	5,152,506	5,331,297
Certificates of deposit	488,852	592,234
Money market funds	<u>8,675,876</u>	<u>4,394,290</u>
Total	\$ <u>68,398,139</u>	\$ <u>61,923,152</u>

The following schedule summarizes the net investment return on investments for the years ended June 30, 2024 and 2023 and its classification in the accompanying statements of activities:

	<u>2024</u>	<u>2023</u>
Dividend and interest income	\$ 389,260	\$ 337,691
Realized gains (losses), net	1,519,196	(235,096)
Unrealized gain, net	<u>5,397,665</u>	<u>3,842,824</u>
Net investment return	\$ <u>7,306,121</u>	\$ <u>3,945,419</u>

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 5 – Other Receivables, net

Other receivables, net are summarized as follows at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Program services	\$ 96,246	\$ 35,200
Insurance billings receivable	<u>572,711</u>	<u>543,683</u>
	668,957	578,883
Less: allowance for credit losses	<u>(480,000)</u>	<u>(365,000)</u>
Other receivables, net	<u>\$ 188,957</u>	<u>\$ 213,883</u>

Allowance for credit losses

As of and for the years ended June 30, 2024 and 2023, the allowance for credit losses for other receivables is as follows:

	<u>2024</u>	<u>2023</u>
Beginning of year	\$ 365,000	\$ 365,000
Provision for credit losses	<u>115,000</u>	<u>-</u>
End of year	<u>\$ 480,000</u>	<u>\$ 365,000</u>

Note 6 – Pledges Receivable, Net

As of June 30, 2024 and 2023, pledge and bequest contributions consists of scholarship endowments to be awarded to students attending Diocesan schools.

Pledges receivable, net as of June 30, 2024 and 2023, are due as follows:

	<u>2024</u>	<u>2023</u>
Pledges and bequest due:		
In less than one year	\$ 420,000	\$ 414,000
In one to five years	<u>630,000</u>	<u>1,050,000</u>
	1,050,000	1,464,000
Less: present value discount	<u>(124,560)</u>	<u>(188,393)</u>
	<u>\$ 925,440</u>	<u>\$ 1,275,607</u>

The Diocese applies a discount rate of 4.33% to its pledges with terms in excess of one year.

Note 7 – Fair Value Measurements

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. In determination of fair value, a fair value hierarchy was established which gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described more fully below:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

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.

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 7 – Fair Value Measurements, Continued

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.

The Diocese has determined the estimated fair value amounts presented in the accompanying financial statements using available market information and appropriate methodologies on a consistent basis. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in the accompanying financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimates fair value amounts. The Diocese bases these fair value estimates on relevant information available to them as of the end of each reporting period or at the time such amounts are recorded.

Marketable equity securities – consists of individual common stocks and mutual funds which are valued at the closing price reported on active markets on which the individual securities are traded.

U.S. government and municipal bonds – fair values are based on quoted prices for similar U.S. government and municipal bonds in active markets; and inputs other than quoted prices, e.g. yield curves and interest rates.

Corporate bonds – corporate bonds are valued based on the last trade price of the fiscal year. When a bond has not been traded on the last day of the fiscal year, the price is obtained from an independent third party pricing company (Level 2 inputs).

Money market funds – fair value is measured based on the quoted market price for the money market fund. The money market fund always has a net asset value of \$1.

Certificates of deposit – determined using the contractual cash flows, current market rates or certificates of deposit with a similar remaining time to maturity (Level 2 inputs). The Diocese intends to hold the certificates to their maturity.

The following table summarizes fair value measurements, by level, for assets and liabilities measured at fair value, on a recurring basis, as of June 30, 2024 and 2023:

	Fair Value Measurements at June 30, 2024			
	Level 1	Level 2	Level 3	Total
Investments:				
Marketable equity securities	\$ 41,891,369	\$ -	\$ -	\$ 41,891,369
U.S. government and municipal bonds	-	12,189,536	-	12,189,536
Corporate bonds	-	5,152,506	-	5,152,506
Certificates of deposit	-	488,852	-	488,852
Money market funds	<u>8,675,876</u>	<u>-</u>	<u>-</u>	<u>8,675,876</u>
Total investments	<u>\$ 50,567,245</u>	<u>\$ 17,830,894</u>	<u>\$ -</u>	<u>\$ 68,398,139</u>
Liabilities:				
Annuities payable	<u>\$ -</u>	<u>\$ (137,243)</u>	<u>\$ -</u>	<u>\$ (137,243)</u>

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 7 – Fair Value Measurements, Continued

	Fair Value Measurements at June 30, 2023			
	Level 1:	Level 2:	Level 3:	Total
<u>Investments:</u>				
Marketable equity securities	\$ 36,939,462	\$ -	\$ -	\$ 36,939,462
U.S. government securities and municipal bonds	-	14,665,869	-	14,665,869
Corporate bonds	-	5,331,297	-	5,331,297
Certificates of deposit	-	592,234	-	592,234
Money market funds	<u>4,394,290</u>	<u>-</u>	<u>-</u>	<u>4,394,290</u>
Total investments	<u>\$ 41,333,752</u>	<u>\$ 20,589,400</u>	<u>\$ -</u>	<u>\$ 61,923,152</u>
<u>Liabilities:</u>				
Annuities payable	<u>\$ -</u>	<u>\$ (144,389)</u>	<u>\$ -</u>	<u>\$ (144,389)</u>

Note 8 – Property and Equipment

Property and equipment consists of the following at June 30, 2024 and 2023:

	2024	2023
Land and land improvements	\$ 15,119,479	\$ 15,119,479
Buildings and improvements	15,137,359	14,913,058
Furniture and equipment	<u>2,329,864</u>	<u>2,312,508</u>
Subtotal	32,586,702	32,345,045
Less: accumulated depreciation	<u>(10,862,028)</u>	<u>(10,585,051)</u>
Total property and equipment, net	<u>\$ 21,724,674</u>	<u>\$ 21,759,994</u>

Included in land and land improvements are certain unimproved parcels that the Diocese may sell or use as sites for future churches.

Note 9 – 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 these programs, 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. Amounts due from Diocesan entities is included in other receivables in the accompanying consolidated statement of financial position as of June 30, 2024 and 2023.

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.

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 9 – Self-Insurance Reserves, Continued

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, 2024 and 2023. 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.

During the years ended June 30, 2024 and 2023, the Diocese received \$568,321 and \$189,080, respectively, of recoveries on claims that are included as a reduction of self-insurance program expense in the accompanying statements of activities.

Note 10 – 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. Because the computed value of the vested benefits and pension plan assets for the Diocese' participants cannot be separated from those of other Diocesan entities and affiliates participating in the pension plan, it is not possible to determine the portion of the excess or deficiency which may be attributable solely to the Diocese. 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, 2024 and 2023 approximated \$382,000 and \$372,000, respectively. For each of the years ended June 30, 2024 and 2023, the Diocese contributed an additional \$500,000 to the Lay Pension Plan beyond the amount required which is separately presented in the statements of activities. For the year ended June 30, 2023, the Diocese contributed an additional \$2,024,947 to the Priest Pension Plan beyond the amount required which is also included in the separate presentation in the statements of activities. No such additional contributions to the Priest Plan were made during the year ended June 30, 2024.

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 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, 2024 and 2023 approximated \$338,000 and \$312,000, 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 \$1,022,000 and \$988,000 for the years ended June 30, 2024 and 2023, 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.

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 10 – Employee Benefits, Continued

Post-Employment Benefit Obligation, continued

The post-employment benefit obligation is unfunded and calculated using the IRS life expectancy tables and a 5% discount rate. As of June 30, 2024 and 2023, the post-employment benefit obligation was \$420,013 and \$542,507, respectively.

Note 11 – Special Events

Special events revenue and related expenses for the years ended June 30, 2024 and 2023 includes the following:

	2024	2023
Event proceeds	\$ 621,040	\$ 591,827
Direct event expenses	19,681	14,369
Net	\$ 601,359	\$ 577,458

Note 12 – 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, 2024 and 2023.

Note 13 – Leases

As Lessee:

The Diocese is obligated under various operating equipment leases. Rent expense under all operating leases for the years ended June 30, 2024 and 2023 totaled \$49,760 and \$41,436, 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, 2024 and 2023, the cost net of, and the related accumulated depreciation of the Diocese ministry facility and improvements made thereto amounted to \$2,660,728 and \$2,719,130, 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, 2024 and 2023.

Note 14 – 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 interment rights to the Diocese.

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 14 – Cemetery Care Agreement, Continued

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 net assets with donor restrictions in the accompanying statements of activities.

Note 15 – Commitments

The Diocese guarantees certain equipment leases entered into by various Diocesan entities. The aggregate amount of such guarantees approximated \$165,000 as of June 30, 2024. No amounts are recognized in the accompanying financial statements relating to these guarantees.

Note 16 – 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, periodically, funds designated by the Finance Council to function as internally designated 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.

Net assets with donor restrictions consist of the following at June 30, 2024 and 2023:

	2024	2023
Time and purpose restrictions:		
Diocesan services appeal	\$ 2,412,164	\$ 2,216,331
Education and scholarships (endowment)	1,717,303	1,353,088
Education and scholarships (non-endowment)	5,265,734	5,608,219
Seminarian	258,292	351,726
Ministry and social services (endowment)	6,169,487	4,890,761
Ministry and social services (non-endowment)	541,082	590,918
Cemetery care deposits and earnings (Note 14)	6,323,849	5,847,799
Skaff senior housing	21,711,774	20,175,414
Perpetual in nature:		
Seminary Burse Fund	6,512,892	6,512,892
Education Fund	1,621,330	1,621,330
	\$ 52,533,907	\$ 49,168,478

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 net assets with donor restrictions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets with donor restrictions.

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 16 – 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 these amounts.

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 has set spending policies for endowments. The Diocese’ policy is to appropriate amounts for distribution each year. Such amounts are determined by the Diocese’ 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. The Diocese’ policy allows for spending from underwater endowment funds, if necessary. 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 objective to maintain the purchasing power of the endowment assets held to provide additional real growth through investment return.

The following represents changes in endowment net assets for the year ended June 30, 2024:

	<u>Accumulated Gains</u>	<u>Original Gift Held in Perpetuity</u>	<u>Total</u>
Net endowment assets, beginning of year:	\$ 6,243,849	\$ 8,134,222	\$ 14,378,071
Investment return:			
Investment income, net	284,391	-	284,391
Net appreciation	<u>2,107,956</u>	<u>-</u>	<u>2,107,956</u>
Total investment return	<u>2,392,347</u>	<u>-</u>	<u>2,392,347</u>
Appropriations and other expenditures	<u>(749,406)</u>	<u>-</u>	<u>(749,406)</u>
Net endowment assets, end of year	<u>\$ 7,886,790</u>	<u>\$ 8,134,222</u>	<u>\$ 16,021,012</u>

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 17 – Net Assets Released from Restrictions

During the years ended June 30, 2024 and 2023, 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:

	2024	2023
Diocesan services appeal	\$ 9,960,856	\$ 9,393,916
Education and scholarships	1,378,541	1,669,513
Program and social services	1,034,597	617,333
Total	\$ 12,373,994	\$ 11,680,762

Note 18 – Skaff Senior Housing Fund

The Diocese was the recipient of a bequest approximating \$16,300,000. The bequest specified that the funds be used for Catholic senior housing. As of June 30, 2024 and 2023, the funds contributed by the donor, as well as prior contributions for Catholic senior housing are included in the Skaff Senior Housing Fund. The net assets of the Skaff Senior Housing Fund are classified as net assets with donor restrictions. The funds relating to Catholic senior housing will remain in various investments and interest-bearing accounts using prudent management of such funds until such funds are expended for Catholic senior housing.

On July 9, 2021, the Diocese entered into a conditional grant agreement with the Carmelite Sisters for the Aged and Infirm together with Lourdes-Noreen McKeen Residence for Geriatric Care, Inc. (Noreen McKeen Residence). Under the terms of the agreement, Noreen McKeen Residence will use the funds for construction and/or renovation of its residences along with the renovation of its chapel and certain naming rights. For the year ended June 30, 2023, the Diocese made grant awards to Noreen McKeen Residence of approximately \$141,000. There were no grant awards to Noreen McKeen Residence during the year ended June 30, 2024. The total grant award is conditional upon the satisfaction of certain requirements on Noreen McKeen which are stipulated in the grant award.

Note 19 – 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.

Note 20 – Concentrations

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 \$368,034 and \$268,849 as of June 30, 2024 and 2023, respectively. In addition, balances held in uninsured investment accounts totaled \$25,054,970 and \$26,649,289 as of June 30, 2024 and 2023, respectively.

The Diocese serves and receives substantial financial support from parishioners in the five-county region of South and Central Florida. Accordingly, the financial strength of the Diocese is in large part reliant upon the general state of the local economy.

DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 21 – Subsequent Events

The Diocese evaluated its activities occurring subsequent to June 30, 2024 through October 15, 2024, 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, 2024

	Operating Fund	Plant Fund	Self- Insurance Fund	Skaff Senior Housing Fund	Eliminating Entries	Total Combined
ASSETS						
Cash and cash equivalents	\$ 11,152,079	\$ 1,664,791	\$ 12,360,576	\$ 1,087,475	\$ -	\$ 26,264,921
Investments	47,773,840	-	-	20,624,299	-	68,398,139
Pledges receivable, net	925,440	-	-	-	-	925,440
Receivables from Diocesan entities	2,412,164	-	-	-	-	2,412,164
Other receivables, net	96,246	-	92,711	-	-	188,957
Other assets and prepaid expenses	184,074	-	3,952,223	-	-	4,136,297
Property and equipment, net	-	21,724,674	-	-	-	21,724,674
Due from other funds	6,132,624	-	-	-	(6,132,624)	-
Total assets	<u>\$ 68,676,467</u>	<u>\$ 23,389,465</u>	<u>\$ 16,405,510</u>	<u>\$ 21,711,774</u>	<u>\$ (6,132,624)</u>	<u>\$ 124,050,592</u>
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	\$ 2,799,086	\$ 77,117	\$ 68,526	\$ -	\$ -	\$ 2,944,729
Self-insurance reserves	-	-	1,862,604	-	-	1,862,604
Annuities payable	137,243	-	-	-	-	137,243
Post-employment benefit obligation	420,013	-	-	-	-	420,013
Guarantee of indebtedness reserve	852,549	-	-	-	-	852,549
Due to other funds	-	5,898,099	-	234,525	(6,132,624)	-
Total liabilities	4,208,891	5,975,216	1,931,130	234,525	(6,132,624)	6,217,138
Net assets	<u>64,467,576</u>	<u>17,414,249</u>	<u>14,474,380</u>	<u>21,477,249</u>	<u>-</u>	<u>117,833,454</u>
Total liabilities and net assets	<u>\$ 68,676,467</u>	<u>\$ 23,389,465</u>	<u>\$ 16,405,510</u>	<u>\$ 21,711,774</u>	<u>\$ (6,132,624)</u>	<u>\$ 124,050,592</u>

DIOCESE OF PALM BEACH, INC.
SCHEDULE OF FINANCIAL POSITION, BY FUND
June 30, 2023

	Operating Fund	Plant Fund	Self- Insurance Fund	Skaff Senior Housing Fund	Eliminating Entries	Total Combined
ASSETS						
Cash and cash equivalents	\$ 12,777,379	\$ 1,623,618	\$ 11,793,058	\$ 1,060,580	\$ -	\$ 27,254,635
Investments	42,808,318	-	-	19,114,834	-	61,923,152
Pledges receivable, net	1,275,607	-	-	-	-	1,275,607
Receivables from Diocesan entities	2,216,331	-	-	-	-	2,216,331
Other receivables, net	35,200	-	178,683	-	-	213,883
Other assets and prepaid expenses	99,748	-	3,556,541	-	-	3,656,289
Property and equipment, net	-	21,759,994	-	-	-	21,759,994
Due from other funds	5,171,906	-	-	-	(5,171,906)	-
Total assets	\$ 64,384,489	\$ 23,383,612	\$ 15,528,282	\$ 20,175,414	\$ (5,171,906)	\$ 118,299,891
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	\$ 2,559,440	\$ 77,324	\$ 66,931	\$ -	\$ -	\$ 2,703,695
Self-insurance reserves	-	-	1,784,526	-	-	1,784,526
Annuities payable	144,389	-	-	-	-	144,389
Post-employment benefit obligation	542,507	-	-	-	-	542,507
Guarantee of indebtedness reserve	1,309,397	-	-	-	-	1,309,397
Due to other funds	-	4,965,069	-	206,837	(5,171,906)	-
Total liabilities	4,555,733	5,042,393	1,851,457	206,837	(5,171,906)	6,484,514
Net assets	59,828,756	18,341,219	13,676,825	19,968,577	-	111,815,377
Total liabilities and net assets	\$ 64,384,489	\$ 23,383,612	\$ 15,528,282	\$ 20,175,414	\$ (5,171,906)	\$ 118,299,891

DIOCESE OF PALM BEACH, INC.
SCHEDULE OF ACTIVITIES, BY FUND
For the Year Ended June 30, 2024

	Operating Funds	Plant Fund	Self- Insurance Fund	Skaff Senior Housing Fund	Eliminating Entries	Combined
Support and revenue:						
Diocesan services appeal	\$ 10,156,690	\$ -	\$ -	\$ -	\$ -	\$ 10,156,690
Contributions and bequests	1,387,439	-	-	-	-	1,387,439
Cemetery care deposits	323,349	-	-	-	-	323,349
Program revenue	2,142,861	-	-	-	(798,000)	1,344,861
Self-insurance program revenue	-	-	8,886,450	-	(375,948)	8,510,502
Interest and dividend income	860,000	-	357,559	640,207	-	1,857,766
Special events, net of direct expenses	601,359	-	-	-	-	601,359
Rental income - in-kind	204,000	-	-	-	-	204,000
Other income (expense), net	<u>7,577</u>	<u>4,200</u>	<u>17,660</u>	<u>-</u>	<u>-</u>	<u>29,437</u>
Total support and revenue	<u>15,683,275</u>	<u>4,200</u>	<u>9,261,669</u>	<u>640,207</u>	<u>(1,173,948)</u>	<u>24,415,403</u>
Expenses:						
Program services:						
Pastoral	1,469,216	-	-	-	(14,904)	1,454,312
Religious personnel development	1,269,621	-	-	-	(14,276)	1,255,345
Education and faith programs	3,532,519	-	-	-	(15,773)	3,516,746
Missions support	2,808,218	-	-	-	(203,234)	2,604,984
Self-insurance program	-	-	8,464,114	-	(798,000)	7,666,114
Social service programs	<u>3,374,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,842)</u>	<u>3,359,490</u>
Total program services	12,453,906	-	8,464,114	-	(1,061,029)	19,856,991
Supporting services:						
Diocesan administration	3,889,602	-	-	792	(34,801)	3,855,593
Plant, facility, and construction management	<u>546,805</u>	<u>931,170</u>	<u>-</u>	<u>-</u>	<u>(78,118)</u>	<u>1,399,857</u>
Total expenses	<u>16,890,313</u>	<u>931,170</u>	<u>8,464,114</u>	<u>792</u>	<u>(1,173,948)</u>	<u>25,112,441</u>
Change in net assets						
before non-operating activities	(1,207,038)	(926,970)	797,555	639,415	-	(697,038)
Change in guarantee of indebtedness reserve	(213,500)	-	-	-	-	(213,500)
Net investment return	6,436,864	-	-	869,257	-	7,306,121
Change in post-employment benefit obligation	122,494	-	-	-	-	122,494
Contribution to Priest and Lay Pension Plan	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>
Change in net assets	4,638,820	(926,970)	797,555	1,508,672	-	6,018,077
Net assets, beginning of year	<u>59,828,756</u>	<u>18,341,219</u>	<u>13,676,825</u>	<u>19,968,577</u>	<u>-</u>	<u>111,815,377</u>
Net assets, end of year	<u>\$ 64,467,576</u>	<u>\$ 17,414,249</u>	<u>\$ 14,474,380</u>	<u>\$ 21,477,249</u>	<u>\$ -</u>	<u>\$ 117,833,454</u>

DIOCESE OF PALM BEACH, INC.
SCHEDULE OF ACTIVITIES, BY FUND
For the Year Ended June 30, 2023

	Operating Funds	Plant Fund	Self- Insurance Fund	Skaff Senior Housing Fund	Eliminating Entries	Combined
Support and revenue:						
Diocesan services appeal	\$ 9,999,957	\$ -	\$ -	\$ -	\$ -	\$ 9,999,957
Contributions and bequests	1,680,538	-	-	-	-	1,680,538
Cemetery care deposits	339,437	-	-	-	-	339,437
Program revenue	2,041,839	-	-	-	(754,187)	1,287,652
Self-insurance program revenue	-	-	6,797,301	-	(303,508)	6,493,793
Interest and dividend income	728,513	3,329	271,175	553,879	-	1,556,896
Special events, net of direct expenses	577,458	-	-	-	-	577,458
Rental income - in-kind	204,000	-	-	-	-	204,000
Other income (expense), net	56,883	-	(11,557)	-	-	45,326
Total support and revenue	<u>15,628,625</u>	<u>3,329</u>	<u>7,056,919</u>	<u>553,879</u>	<u>(1,057,695)</u>	<u>22,185,057</u>
Expenses:						
Program services:						
Pastoral	1,412,675	-	-	-	(16,169)	1,396,506
Religious personnel development	1,134,018	-	-	-	(9,166)	1,124,852
Education and faith programs	3,718,331	-	-	-	(11,442)	3,706,889
Missions support	1,296,114	-	-	-	(160,300)	1,135,814
Self-insurance program	-	-	7,567,197	-	(754,187)	6,813,010
Social service programs	3,278,461	-	-	141,230	(15,219)	3,404,472
Total program services	10,839,599	-	7,567,197	141,230	(966,483)	17,581,543
Supporting services:						
Diocesan administration	3,600,331	-	-	-	(27,159)	3,573,172
Plant, facility, and construction management	491,210	970,187	-	-	(64,053)	1,397,344
Total expenses	<u>14,931,140</u>	<u>970,187</u>	<u>7,567,197</u>	<u>141,230</u>	<u>(1,057,695)</u>	<u>22,552,059</u>
Change in net assets						
before non-operating activities	697,485	(966,858)	(510,278)	412,649	-	(367,002)
Change in guarantee of indebtedness reserve	(449,363)	-	-	-	-	(449,363)
Net investment return	3,912,918	-	-	32,501	-	3,945,419
Gain on sale of property, net	-	1,171,389	-	-	-	1,171,389
Change in post-employment benefit obligation	6,536	-	-	-	-	6,536
Contributions to Priest and Lay Pension Plan	(2,524,947)	-	-	-	-	(2,524,947)
Change in net assets	1,642,629	204,531	(510,278)	445,150	-	1,782,032
Net assets, beginning of year	<u>58,186,127</u>	<u>18,136,688</u>	<u>14,187,103</u>	<u>19,523,427</u>	<u>-</u>	<u>110,033,345</u>
Net assets, end of year	<u>\$ 59,828,756</u>	<u>\$ 18,341,219</u>	<u>\$ 13,676,825</u>	<u>\$ 19,968,577</u>	<u>\$ -</u>	<u>\$ 111,815,377</u>