

**DIOCESE OF PALM BEACH, INC.**  
**REPORT ON AUDITS OF FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

# 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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits 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 audits. 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 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.

*Templeton & Company, LLP*

West Palm Beach, Florida  
October 17, 2023

**DIOCESE OF PALM BEACH, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2023 and 2022**

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 27,254,635	\$ 26,629,207
Investments (Note 4)	61,923,152	60,966,310
Pledges receivable, net (Note 6)	1,275,607	1,671,526
Receivables from Diocesan entities, net (Note 5)	2,395,014	1,712,760
Other receivables	35,200	26,909
Other assets	3,656,289	2,821,802
Property and equipment, net (Note 8)	21,759,994	22,484,158
Total assets	\$ 118,299,891	\$ 116,312,672
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,703,695	\$ 2,621,508
Self-insurance reserves (Note 9)	1,784,526	1,297,126
Annuities payable	144,389	151,616
Post-employment benefit obligation (Note 10)	542,507	549,043
Guarantee of indebtedness reserve (Note 3)	1,309,397	1,660,034
Total liabilities	6,484,514	6,279,327
Commitments and contingencies (Notes 3, 9, 10, 12, 13, 15 and 20)		
Net assets:		
Without donor restrictions	62,646,899	63,273,353
With donor restrictions (Note 16)	49,168,478	46,759,992
Total net assets	111,815,377	110,033,345
Total liabilities and net assets	\$ 118,299,891	\$ 116,312,672

See accompanying notes to financial statements.

**DIOCESE OF PALM BEACH, INC.**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended June 30, 2023 and 2022**

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
<b>Support and revenue:</b>						
Diocesan services appeal	\$ -	\$ 9,999,957	\$ 9,999,957	\$ -	\$ 9,229,739	\$ 9,229,739
Contributions and bequests	130,432	1,550,106	1,680,538	159,493	2,719,940	2,879,433
Cemetery care deposits	-	339,437	339,437	-	349,970	349,970
Program revenue	1,287,652	-	1,287,652	1,093,309	-	1,093,309
Self-insurance program revenue	6,493,793	-	6,493,793	5,789,559	-	5,789,559
Interest and dividend income	756,659	800,237	1,556,896	627,285	487,269	1,114,554
Special events, net of direct expenses	577,458	-	577,458	491,450	-	491,450
Rental income - in kind	204,000	-	204,000	204,000	-	204,000
Other income, net	45,326	-	45,326	234,360	-	234,360
Net assets released from restrictions (Note 17)	11,680,762	(11,680,762)	-	12,765,436	(12,765,436)	-
<b>Total support and revenue</b>	<b>21,176,082</b>	<b>1,008,975</b>	<b>22,185,057</b>	<b>21,364,892</b>	<b>21,482</b>	<b>21,386,374</b>
<b>Expenses:</b>						
<b>Program services:</b>						
Pastoral	1,396,506	-	1,396,506	1,390,854	-	1,390,854
Religious personnel development	1,124,852	-	1,124,852	1,040,526	-	1,040,526
Educational and faith programs	3,706,889	-	3,706,889	3,188,251	-	3,188,251
Missions support	1,135,814	-	1,135,814	1,066,037	-	1,066,037
Self-insurance program (Note 9)	6,813,010	-	6,813,010	6,510,287	-	6,510,287
Social service programs	3,404,472	-	3,404,472	5,094,469	-	5,094,469
<b>Total program services</b>	<b>17,581,543</b>	<b>-</b>	<b>17,581,543</b>	<b>18,290,424</b>	<b>-</b>	<b>18,290,424</b>
<b>Supporting services:</b>						
Diocesan administration	3,573,172	-	3,573,172	3,275,809	-	3,275,809
Plant, facility and construction management	1,397,344	-	1,397,344	1,108,127	-	1,108,127
<b>Total expenses</b>	<b>22,552,059</b>	<b>-</b>	<b>22,552,059</b>	<b>22,674,360</b>	<b>-</b>	<b>22,674,360</b>
Change in net assets before non-operating activities	(1,375,977)	1,008,975	(367,002)	(1,309,468)	21,482	(1,287,986)
Change in guarantee of indebtedness reserve	(449,363)	-	(449,363)	(606,588)	-	(606,588)
Net investment return (loss)	2,545,908	1,399,511	3,945,419	(5,062,073)	(2,700,675)	(7,762,748)
Gain on sale of property, net	1,171,389	-	1,171,389	-	-	-
Change in post-employment benefit obligation	6,536	-	6,536	83,461	-	83,461
Contribution to Priest and Lay Pension Plan (Note 10)	(2,524,947)	-	(2,524,947)	(500,000)	-	(500,000)
<b>Change in net assets</b>	<b>(626,454)</b>	<b>2,408,486</b>	<b>1,782,032</b>	<b>(7,394,668)</b>	<b>(2,679,193)</b>	<b>(10,073,861)</b>
Net assets - beginning of year	63,273,353	46,759,992	110,033,345	70,668,021	49,439,185	120,107,206
<b>Net assets - end of year</b>	<b>\$ 62,646,899</b>	<b>\$ 49,168,478</b>	<b>\$ 111,815,377</b>	<b>\$ 63,273,353</b>	<b>\$ 46,759,992</b>	<b>\$ 110,033,345</b>

See accompanying notes to financial statements.

**DIOCESE OF PALM BEACH, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended June 30, 2023 and 2022**

	2023								
	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	\$ 1,087,799	\$ 398,652	\$ 1,210,037	\$ 235,946	\$ -	\$ 1,140,761	\$ 2,653,232	\$ 646,480	\$ 7,372,907
Subsidies and donations	43,500	134,614	835,478	809,143	-	1,918,235	63,822	-	3,804,792
Educational programs	100,530	388,018	1,170,947	-	-	123,255	-	-	1,782,750
Insurance	16,169	9,166	11,442	160,300	7,567,197	15,219	27,159	64,053	7,870,705
Information technology and telecommunications	9,696	2,077	12,916	519	-	7,382	119,170	12,602	164,362
Utilities	12,273	4,231	7,063	1,049	-	12,308	19,878	3,828	60,630
Office, printing, and postage	15,025	10,754	5,002	20,801	-	26,599	293,446	21,378	393,005
Other program and operating	12,914	49,227	145,478	46,040	-	26,066	4,533	2,988	287,246
Travel and meetings	8,096	19,323	17,991	12,761	-	18,467	37,114	12,729	126,481
Maintenance contracts and repairs	41,220	11,006	61,872	2,729	-	32,017	51,710	490,659	691,213
Depreciation	63,493	21,887	36,540	5,426	-	63,674	102,838	19,808	313,666
Professional and contract services	1,960	85,063	203,565	1,400	-	35,708	227,429	186,872	741,997
Interfund eliminations	(16,169)	(9,166)	(11,442)	(160,300)	(754,187)	(15,219)	(27,159)	(64,053)	(1,057,695)
	<u>\$ 1,396,506</u>	<u>\$ 1,124,852</u>	<u>\$ 3,706,889</u>	<u>\$ 1,135,814</u>	<u>\$ 6,813,010</u>	<u>\$ 3,404,472</u>	<u>\$ 3,573,172</u>	<u>\$ 1,397,344</u>	<u>\$ 22,552,059</u>
	2022								
	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	\$ 1,091,036	\$ 396,780	\$ 1,095,295	\$ 226,531	\$ -	\$ 1,083,248	\$ 2,429,776	\$ 610,558	\$ 6,933,224
Subsidies and donations	42,700	129,414	699,450	772,382	-	3,687,380	46,858	-	5,378,184
Educational programs	88,596	318,169	1,019,809	-	-	113,516	39	-	1,540,129
Insurance	12,211	11,875	10,453	143,831	7,233,787	13,268	27,137	58,313	7,510,875
Information technology and telecommunications	9,810	3,047	13,041	1,709	-	14,051	100,416	7,437	149,511
Utilities	11,362	3,917	6,539	971	-	11,395	18,403	3,545	56,132
Office, printing, and postage	13,850	13,645	4,399	25,436	-	24,109	263,919	10,998	356,356
Other program and operating	11,326	58,241	106,048	24,006	-	13,058	3,060	5,825	221,564
Travel and meetings	9,291	15,683	11,204	5,628	-	17,044	39,257	10,572	108,679
Maintenance contracts and repairs	38,066	10,789	36,539	2,662	-	31,234	51,821	313,271	484,382
Depreciation	72,677	25,053	41,826	6,212	-	72,884	117,714	22,673	359,039
Professional and contract services	2,140	65,788	154,101	500	-	26,550	204,546	123,248	576,873
Interfund eliminations	(12,211)	(11,875)	(10,453)	(143,831)	(723,500)	(13,268)	(27,137)	(58,313)	(1,000,588)
	<u>\$ 1,390,854</u>	<u>\$ 1,040,526</u>	<u>\$ 3,188,251</u>	<u>\$ 1,066,037</u>	<u>\$ 6,510,287</u>	<u>\$ 5,094,469</u>	<u>\$ 3,275,809</u>	<u>\$ 1,108,127</u>	<u>\$ 22,674,360</u>

**DIOCESE OF PALM BEACH, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,782,032	\$ (10,073,861)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	313,666	359,039
Gain on sale of property	(1,171,389)	-
Unrealized and realized (gains) losses on investments, net	(3,843,782)	7,864,331
Change in guarantee of indebtedness reserve	(350,637)	(193,412)
Change in self-insurance reserves	487,400	455,772
Changes in operating assets and liabilities:		
Receivables from Diocesan entities	(682,254)	329,368
Pledges receivable	395,919	(690,028)
Other receivables	(8,291)	(6,168)
Other assets	(834,487)	(274,657)
Accounts payable and accrued expenses	82,187	544,279
Annuities payable	(7,227)	734
Post-employment benefit obligation	(6,536)	(83,461)
Net cash used in operating activities	(3,843,399)	(1,768,064)
Cash flows from investing activities:		
Purchases of portfolio investments	(44,339,436)	(30,680,493)
Proceeds from sales of portfolio investments	47,226,376	33,441,657
Proceeds from sale of property	1,726,473	-
Purchases of property and equipment	(144,586)	(18,686)
Net cash provided by investing activities	4,468,827	2,742,478
Increase in cash and cash equivalents	625,428	974,414
Cash and cash equivalents, beginning of year	26,629,207	25,654,793
Cash and cash equivalents, end of year	\$ 27,254,635	\$ 26,629,207

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 of Palm Beach, 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 non-cash contributions as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of assets other than cash 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 are stated at the amount of the uncollected balance, less an allowance for doubtful accounts of \$365,003 as of each year end June 30, 2023 and 2022. The allowance for doubtful accounts is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on past experience and adverse financial situations for the parish or school that may affect the entity's ability to pay.

#### Portfolio investments

Portfolio investments are carried at fair value in the statements of financial position. Portfolio investments include individual 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 (losses) are reported in appropriate net asset classifications based upon the existence of donor restrictions, if any.

Portfolio investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain 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 \$5,000 in which case it is expensed in the period incurred.

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

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

Property and equipment, continued

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 \$520,088 and \$442,629 at June 30, 2023 and 2022, 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. 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 doubtful accounts, guarantee of indebtedness reserve, self-insurance reserves, and estimate of the post-employment benefit obligation.

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

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

Guarantees of indebtedness reserve

The Diocese is the guarantor of loans to parishes and other Diocesan entities issued by the SFT which approximated \$19,552,000 for 30 loans and \$23,783,000 for 31 loans as of June 30, 2023 and 2022, 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, 2023 and 2022, a reserve liability for loan guarantees of \$1,309,397 and \$1,660,034, respectively, is necessary for these loan guarantees.

Income taxes

In an annually updated ruling, the Internal Revenue Service (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.

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.

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

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

Reclassifications

Certain amounts in the 2022 financial statements were reclassified to conform to the presentation in the 2023 financial statements.

Recently adopted accounting standards

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, which is codified as ASC 842, *Leases* (New Lease Standard). The New Lease Standard requires recognition of rights and obligations arising from lease contracts as assets and liabilities on the statement of financial position and requires expanded qualitative and quantitative disclosures. The Diocese adopted the New Lease Standard on the modified retrospective basis effective July 1, 2022. There was no impact on the Diocese' net assets or results of operations as a result of the adoption of the New Lease Standard.

New accounting pronouncement

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and certain debt securities. For assets amortized on a cost basis, ASU 2016-13 amends current U.S. GAAP and requires an entity to reflect its current estimate of all expected credit losses. The financial assets present the net amount expected to be collected. The amendments affect trade receivables, loans, debt securities, and other financial assets not excluded from the scope of the right to receive cash. The amendments of ASU 2016-13 are effective for the year ending June 30, 2024. The Diocese is currently evaluating the impact ASU 2016-13 will have on its financial statements.

**Note 2 – Financial Assets and Liquidity Resources**

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

Financial assets:	
Cash and cash equivalents	\$ 27,254,635
Investments	61,923,152
Pledges receivable, net	1,275,607
Receivables from Diocesan entities, net	2,395,014
Other receivables	<u>35,200</u>
Total financial assets	92,883,608
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (Note 16)	(34,790,407)
Donor-restricted endowment (Note 16)	<u>(14,378,071)</u>
Total financial assets available for general operating expenditures within one year	<u>\$ 43,715,130</u>

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.

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

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

The Bishop guarantees loans made by SFT to certain Diocesan entities. During the years ended June 30, 2023 and 2022, the Diocese recorded changes to the reserve in the amounts of \$350,637 and \$193,412, respectively, based on its evaluation of collectability of certain of the underlying guaranteed loans. During the years ended June 30, 2023 and 2022, the Diocese made principal payments to the SFT for certain guaranteed loans in the amounts of \$800,000.

Summarized financial information for the SFT as of June 30, 2023 and 2022, and for the years then ended is presented below:

	For the Year Ended June 30,	
	2023	2022
Revenue and investment returns (loss)	\$ 7,271,206	\$ (8,808,666)
Cost and expenses	<u>4,755,807</u>	<u>3,445,423</u>
Increase (decrease) in net assets	<u>\$ 2,515,399</u>	<u>\$ (12,254,089)</u>
	As of June 30,	
	2023	2022
Assets:		
Cash and equivalents	\$ 17,650,386	\$ 24,924,213
Portfolio investments	194,027,578	156,768,205
Loans receivable and accruals	<u>20,165,362</u>	<u>24,418,423</u>
Total assets	<u>\$ 231,843,326</u>	<u>\$ 206,110,841</u>
Liabilities:		
Savings deposits – Diocesan entities	\$ 219,336,964	\$ 196,131,216
Accrued expenses	<u>38,491</u>	<u>27,153</u>
Total liabilities	219,375,455	196,158,369
Net assets – without donor restrictions	<u>12,467,871</u>	<u>9,952,472</u>
Total liabilities and net assets	<u>\$ 231,843,326</u>	<u>\$ 206,110,841</u>

Balances and transactions with SFT

The following is a summary of balances and transactions between the Diocese and SFT as of and for the years ended June 30, 2023 and 2022:

	2023	2022
For the year ended:		
Guarantee of indebtedness adjustment	<u>\$ 350,637</u>	<u>\$ 193,412</u>
Program revenue – administrative fee	<u>\$ 130,000</u>	<u>\$ 119,000</u>
Interest income on savings deposits	<u>\$ 743,551</u>	<u>\$ 438,786</u>
At year end:		
Assets –		
Savings Fund Trust deposits (included in cash and cash equivalents)	<u>\$ 25,025,671</u>	<u>\$ 25,742,588</u>
Liabilities –		
Guarantee of indebtedness reserve	<u>\$ 1,309,397</u>	<u>\$ 1,660,034</u>

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

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

Credit facility

The Diocese guarantees a \$5,000,000 credit facility SFT has with a financial institution. There were no outstanding borrowings under the credit facility at June 30, 2023.

**Note 4 – Portfolio Investments**

A summary of portfolio investments, by investment type, at June 30, 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
Marketable equity securities	\$ 36,924,670	\$ 33,681,995
U.S. government and municipal bonds	14,590,108	11,171,891
Corporate bonds	5,302,342	5,154,902
Certificates of deposit	589,092	632,083
Money market funds	4,394,290	10,244,867
Accrued interest and dividends receivable	<u>122,650</u>	<u>80,572</u>
Total	<u>\$ 61,923,152</u>	<u>\$ 60,966,310</u>

The following schedule summarizes the net investment return (loss) on portfolio investments for the years ended June 30, 2023 and 2022 and its classification in the accompanying statements of activities:

	<u>2023</u>	<u>2022</u>
Dividend and interest income	\$ 337,691	\$ 356,549
Realized gains (loss), net	(235,096)	3,602,102
Unrealized gain (loss), net	<u>3,842,824</u>	<u>(11,721,399)</u>
Net investment return (loss)	<u>\$ 3,945,419</u>	<u>\$ (7,762,748)</u>

**Note 5 – Receivables from Diocesan Entities**

Receivables from Diocesan entities are summarized as follows at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Diocesan services appeal	\$ 2,216,331	\$ 1,610,290
Self-insurance program billings, net of allowance (see Note 9)	<u>178,683</u>	<u>102,470</u>
Total receivables from Diocesan entities	<u>\$ 2,395,014</u>	<u>\$ 1,712,760</u>

**Note 6 – Pledges Receivable, Net**

As of June 30, 2023 and 2022, pledge and bequest contributions consists of scholarship endowments to be awarded to students attending Diocesan schools.



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

**Note 6 – Pledges Receivable, Net, Continued**

Pledges receivable, net as of June 30, 2023 and 2022, are due as follows:

	2023	2022
Pledges and bequest due:		
In less than one year	\$ -	\$ 408,000
In one to five years	1,464,000	1,464,000
	1,464,000	1,872,000
Less: present value discount	(188,393)	(200,474)
	\$ 1,275,607	\$ 1,671,526

The Diocese applies a discount rate of 4.13% 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.

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.

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

**Note 7 – Fair Value Measurements, Continued**

*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, applied by the Diocese as of June 30, 2023 and 2022:

	Fair Value Measurements at June 30, 2023			
	Level 1	Level 2	Level 3	Total
<b>Investments:</b>				
Marketable equity securities	\$ 36,924,670	\$ -	\$ -	\$ 36,924,670
U.S. government and municipal bonds	-	14,590,108	-	14,590,108
Corporate bonds	-	5,302,342	-	5,302,342
Certificates of deposit	-	589,092	-	589,092
Money market funds	4,394,290	-	-	4,394,290
Accrued interest and dividends	-	122,650	-	122,650
Total investments	<u>\$ 41,318,960</u>	<u>\$ 20,604,192</u>	<u>\$ -</u>	<u>\$ 61,923,152</u>
<b>Liabilities:</b>				
Annuities payable	<u>\$ -</u>	<u>\$ (144,389)</u>	<u>\$ -</u>	<u>\$ (144,389)</u>
	Fair Value Measurements at June 30, 2022			
	Level 1:	Level 2:	Level 3:	Total
<b>Investments:</b>				
Marketable equity securities	\$ 33,681,995	\$ -	\$ -	\$ 33,681,995
U.S. government securities and municipal bonds	-	11,171,891	-	11,171,891
Corporate bonds	-	5,154,902	-	5,154,902
Certificates of deposit	-	632,083	-	632,083
Money market funds	10,244,867	-	-	10,244,867
Accrued interest and dividends	-	80,572	-	80,572
Total investments	<u>\$ 43,926,862</u>	<u>\$ 17,039,448</u>	<u>\$ -</u>	<u>\$ 60,966,310</u>
<b>Liabilities:</b>				
Annuities payable	<u>\$ -</u>	<u>\$ (151,616)</u>	<u>\$ -</u>	<u>\$ (151,616)</u>

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

**Note 8 – Property and Equipment**

Property and equipment consists of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating property and equipment:		
Land and land improvements	\$ 15,119,479	\$ 15,569,563
Buildings and improvements	14,913,058	14,913,058
Furniture and equipment	<u>2,312,508</u>	<u>2,312,526</u>
Subtotal	32,345,045	32,795,147
Less: accumulated depreciation	<u>(10,585,051)</u>	<u>(10,310,989)</u>
Total property and equipment, net	<u>\$ 21,759,994</u>	<u>\$ 22,484,158</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.

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

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

Provision has been made for the settlement of all incurred claims, both reported and unreported, for each open claim year. The self-insurance reserves represent the estimated total cost of claims incurred but not settled at June 30, 2023 and 2022. 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, 2023 and 2022, the Diocese received \$189,080 and \$160,928, respectively, of recoveries on claims that are included as a reduction of self-insurance program expense in the accompanying statements of activities.

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

**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, 2023 and 2022 approximated \$372,000 and \$345,000, respectively. For each of the years ended June 30, 2023 and 2022, 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 were made during the year ended June 30, 2022.

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, 2023 and 2022 approximated \$312,000 and \$294,000, 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 \$988,000 and \$945,000 for the years ended June 30, 2023 and 2022, respectively.

Post-Employment Benefit Obligation

The Diocese provides certain post-employment benefits to former clergy to supplement their pension benefits and provide certain health and other insurance coverage. The Diocese records a post-employment benefit obligation for the estimated discounted future cost of the benefits and annually reviews the adequacy of the obligation. The post-employment benefit obligation is unfunded and calculated using the IRS life expectancy tables and a 5% discount rate. As of June 30, 2023 and 2022, the post-employment benefit obligation was \$542,507 and \$549,043, respectively.

**Note 11 – Special Events**

Special events revenue and related expenses for the years ended June 30, 2023 and 2022 includes the following:

	2023	2022
Event proceeds	\$ 591,827	\$ 505,237
Direct event expenses	14,369	13,787
Net	\$ 577,458	\$ 491,450

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

**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, 2023 and 2022.

**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, 2023 and 2022 totaled \$41,436 and \$22,823, 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, 2023, the cost and related accumulated depreciation of the Diocese ministry facility and improvements made thereto amounted to \$3,337,681 and \$618,551, respectively. As of June 30, 2022, the cost and related accumulated depreciation of the Diocese ministry and improvements made thereto amounted to \$3,337,681 and \$560,069, 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, 2023 and 2022.

**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 internment rights to the Diocese. The Cemetery may use related earnings and, if necessary, deposits for the perpetual care and upkeep of the Cemetery. The Cemetery care deposits and related earnings are recorded in 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 \$237,000 as of June 30, 2023. 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.

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

**Note 16 – Restricted Net Assets and Endowment, Continued**

Net assets with donor restrictions consist of the following at June 30, 2023 and 2022:

	2023	2022
Time and purpose restrictions:		
Diocesan services appeal	\$ 2,216,331	\$ 1,610,290
Education and scholarships (endowment)	1,353,088	1,182,247
Education and scholarships (non-endowment)	5,608,219	5,798,672
Seminarian	351,726	444,746
Ministry and social services (endowment)	4,890,761	3,989,299
Ministry and social services (non-endowment)	590,918	626,212
Cemetery care deposits and earnings (Note 14)	5,847,799	5,400,627
Skaff senior housing	20,175,414	19,573,677
Perpetual in nature:		
Seminary Burse Fund	6,512,892	6,512,892
Education Fund	1,621,330	1,621,330
	\$ 49,168,478	\$ 46,759,992

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.

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.

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

**Note 16 – Restricted Net Assets and Endowment, Continued**

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, 2023:

	<u>Accumulated Gains</u>	<u>Original Gift Held in Perpetuity</u>	<u>Total</u>
Net endowment assets, beginning of year:	\$ 5,171,546	\$ 8,134,222	\$ 13,305,768
Investment return:			
Investment income, net	248,628	-	248,628
Net appreciation	<u>1,168,933</u>	<u>-</u>	<u>1,168,933</u>
Total investment return	<u>1,417,561</u>	<u>-</u>	<u>1,417,561</u>
Appropriations and other expenditures	<u>(345,258)</u>	<u>-</u>	<u>(345,258)</u>
Net endowment assets, end of year	<u>\$ 6,243,849</u>	<u>\$ 8,134,222</u>	<u>\$ 14,378,071</u>

**Note 17 – Net Assets Released from Restrictions**

During the years ended June 30, 2023 and 2022, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors, as follows:

	<u>2023</u>	<u>2022</u>
Diocesan services appeal	\$ 9,393,916	\$ 9,565,858
Education and scholarships	1,669,513	381,602
Program and social services	<u>617,333</u>	<u>2,817,976</u>
Total	<u>\$ 11,680,762</u>	<u>\$ 12,765,436</u>

**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, 2023 and 2022, 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.

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

**Note 18 – Skaff Senior Housing Fund, Continued**

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 years ended June 30, 2023 and 2022, the Diocese made grant awards to Noreen McKeen Residence of approximately \$141,000 and \$2,000,000. 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 \$268,849 and \$271,141 as of June 30, 2023 and 2022, respectively. In addition, balances held in uninsured investment accounts totaled \$26,649,289 and \$25,742,588 as of June 30, 2023 and 2022, 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.

**Note 21 – Subsequent Events**

The Diocese evaluated its activities occurring subsequent to June 30, 2023 through October 17, 2023, 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, 2023**

	Operating Fund	Plant Fund	Self- Insurance Fund	Skaff Senior Housing Fund	Eliminating Entries	Total Combined
<b>ASSETS</b>						
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 and bequest receivable, net	1,275,607	-	-	-	-	1,275,607
Receivables from Diocesan entities, net	2,216,331	-	178,683	-	-	2,395,014
Other receivables	35,200	-	-	-	-	35,200
Other assets	99,748	-	3,556,541	-	-	3,656,289
Property and equipment, net	-	21,759,994	-	-	-	21,759,994
Due from other funds	<u>5,171,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,171,906)</u>	<u>-</u>
Total assets	<u>\$ 64,384,489</u>	<u>\$ 23,383,612</u>	<u>\$ 15,528,282</u>	<u>\$ 20,175,414</u>	<u>\$ (5,171,906)</u>	<u>\$ 118,299,891</u>
<b>LIABILITIES AND NET ASSETS</b>						
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	<u>-</u>	<u>4,965,069</u>	<u>-</u>	<u>206,837</u>	<u>(5,171,906)</u>	<u>-</u>
Total liabilities	4,555,733	5,042,393	1,851,457	206,837	(5,171,906)	6,484,514
Net assets	<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>
Total liabilities and net assets	<u>\$ 64,384,489</u>	<u>\$ 23,383,612</u>	<u>\$ 15,528,282</u>	<u>\$ 20,175,414</u>	<u>\$ (5,171,906)</u>	<u>\$ 118,299,891</u>

**DIOCESE OF PALM BEACH, INC.**  
**SCHEDULE OF FINANCIAL POSITION, BY FUND**  
**June 30, 2022**

	Operating Fund	Plant Fund	Self- Insurance Fund	Skaff Senior Housing Fund	Eliminating Entries	Total Combined
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,671,858	\$ -	\$ 12,916,827	\$ 1,040,522	\$ -	\$ 26,629,207
Investments	42,433,155	-	-	18,533,155	-	60,966,310
Pledges and bequest receivable, net	1,671,526	-	-	-	-	1,671,526
Receivables from Diocesan entities, net	1,610,290	-	102,470	-	-	1,712,760
Other receivables	26,909	-	-	-	-	26,909
Other assets	106,595	-	2,715,207	-	-	2,821,802
Property and equipment, net	-	22,484,158	-	-	-	22,484,158
Due from other funds	4,326,379	-	-	-	(4,326,379)	-
<b>Total assets</b>	<b>\$ 62,846,712</b>	<b>\$ 22,484,158</b>	<b>\$ 15,734,504</b>	<b>\$ 19,573,677</b>	<b>\$ (4,326,379)</b>	<b>\$ 116,312,672</b>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities:						
Accounts payable and accrued expenses	\$ 2,299,892	\$ 71,341	\$ 250,275	\$ -	\$ -	\$ 2,621,508
Self-insurance reserves	-	-	1,297,126	-	-	1,297,126
Annuities payable	151,616	-	-	-	-	151,616
Post-employment benefit obligation	549,043	-	-	-	-	549,043
Guarantee of indebtedness reserve	1,660,034	-	-	-	-	1,660,034
Due to other funds	-	4,276,129	-	50,250	(4,326,379)	-
<b>Total liabilities</b>	<b>4,660,585</b>	<b>4,347,470</b>	<b>1,547,401</b>	<b>50,250</b>	<b>(4,326,379)</b>	<b>6,279,327</b>
<b>Net assets</b>	<b>58,186,127</b>	<b>18,136,688</b>	<b>14,187,103</b>	<b>19,523,427</b>	<b>-</b>	<b>110,033,345</b>
<b>Total liabilities and net assets</b>	<b>\$ 62,846,712</b>	<b>\$ 22,484,158</b>	<b>\$ 15,734,504</b>	<b>\$ 19,573,677</b>	<b>\$ (4,326,379)</b>	<b>\$ 116,312,672</b>

**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	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	<u>10,839,599</u>	<u>-</u>	<u>7,567,197</u>	<u>141,230</u>	<u>(966,483)</u>	<u>17,581,543</u>
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>
Increase (decrease) 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 income	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
Contribution to Priest and Lay Pension Plan	(2,524,947)	-	-	-	-	(2,524,947)
Increase (decrease) 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>

**DIOCESE OF PALM BEACH, INC.**

**SCHEDULE OF ACTIVITIES, BY FUND**

**For the Year Ended June 30, 2022**

	Operating Funds	Plant Fund	Self- Insurance Fund	Skaff Senior Housing Fund	Eliminating Entries	Combined
Support and revenue:						
Diocesan services appeal	\$ 9,229,739	\$ -	\$ -	\$ -	\$ -	\$ 9,229,739
Contributions and bequests	2,879,433	-	-	-	-	2,879,433
Cemetery care deposits	349,970	-	-	-	-	349,970
Program revenue	1,816,809	-	-	-	(723,500)	1,093,309
Self-insurance program revenue	-	-	6,066,647	-	(277,088)	5,789,559
Interest and dividend income	599,496	-	211,472	303,586	-	1,114,554
Special events, net of direct expenses	491,450	-	-	-	-	491,450
Rental income	204,000	-	-	-	-	204,000
Other income (expense), net	220,204	6,000	8,156	-	-	234,360
Total support and revenue	<u>15,791,101</u>	<u>6,000</u>	<u>6,286,275</u>	<u>303,586</u>	<u>(1,000,588)</u>	<u>21,386,374</u>
Expenses:						
Program services:						
Pastoral	1,403,065	-	-	-	(12,211)	1,390,854
Religious personnel development	1,052,401	-	-	-	(11,875)	1,040,526
Education and faith programs	3,198,704	-	-	-	(10,453)	3,188,251
Missions support	1,209,868	-	-	-	(143,831)	1,066,037
Self-insurance program	-	-	7,233,787	-	(723,500)	6,510,287
Social service programs	3,113,705	-	-	1,994,032	(13,268)	5,094,469
Total program services	<u>9,977,743</u>	<u>-</u>	<u>7,233,787</u>	<u>1,994,032</u>	<u>(915,138)</u>	<u>18,290,424</u>
Supporting services:						
Diocesan administration	3,302,946	-	-	-	(27,137)	3,275,809
Plant, facility, and construction management	386,874	779,566	-	-	(58,313)	1,108,127
Total expenses	<u>13,667,563</u>	<u>779,566</u>	<u>7,233,787</u>	<u>1,994,032</u>	<u>(1,000,588)</u>	<u>22,674,360</u>
Increase (decrease) in net assets before non-operating activities	2,123,538	(773,566)	(947,512)	(1,690,446)	-	(1,287,986)
Change in guarantee of indebtedness reserve	(606,588)	-	-	-	-	(606,588)
Net investment (loss)	(7,319,226)	-	-	(443,522)	-	(7,762,748)
Change in post-employment benefit obligation	83,461	-	-	-	-	83,461
Contributions to Lay Pension Plan	(500,000)	-	-	-	-	(500,000)
Increase (decrease) in net assets	(6,218,815)	(773,566)	(947,512)	(2,133,968)	-	(10,073,861)
Net assets, beginning of year	64,404,942	18,910,254	15,134,615	21,657,395	-	120,107,206
Net assets, end 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>